

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
OF THE
CITY OF ORANGE CITY, IOWA
FOR THE FISCAL YEAR ENDED
JUNE 30, 2005**

Prepared by the
Office of the City Administrator
Duane Feekes, City Administrator

CITY OF ORANGE CITY, IOWA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2005
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* * * * *



December 19, 2005

To the Honorable Mayor, Members of the Governing Council, and Citizens of the City of Orange City:

State law requires that every general-purpose local government publish within nine months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2005.

Management assumes responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Williams & Company, Certified Public Accountants, has issued an unqualified "clean" opinion on the City of Orange City's financial statements for the year ended June 30, 2005. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the Government

The City of Orange City incorporated in 1884, is located in the Northwest corner of the State of Iowa, and is the county seat of Sioux County. The City of Orange City is empowered to levy a property tax on both real and personal property located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which it has done from time to time.

"A GOVERNMENT OF SERVICE"

The City of Orange City operates under the council-manager form of government. Policy-making and legislative authority are vested in a governing council (Council) consisting of the mayor and five Council members. The Council appoints the government's manager, who in turn appoints the heads of the various departments. Council members serve four-year terms. The mayor is elected for a two-year term. The council members are elected on a staggered basis. The City Manager has operating responsibilities for all City functions excluding the Library and Hospital.

The City of Orange City provides a full range of Municipal services which includes police and fire protection; the construction and maintenance of streets, and other infrastructure; recreational and cultural activities; general administration and medical care facilities. The City of Orange City also owns and operates the electric, water, sewer, and gas utilities. The City of Orange City also is financially accountable for a legally separate hospital board of which is reported separately within the City of Orange City's financial statements. Additional information on hospital can be found in the notes to the financial statements.

The Council is required to adopt a final budget by no later than March 15th. This annual budget serves as the foundation for the City of Orange City's financial planning and control. Iowa budget law requires the adoption of legal budgets for expenditures on a program basis. Although the budget document presents program expenditures by fund, the legal level of control is at the aggregated program level not at the fund level.

Local Economy

Orange City is located in Sioux County in the northwest portion of Iowa, which is noted for its excellent cropland and livestock production numbers. Industry plays a big part in Orange City's economic condition with the biggest three employers being American Identity, Inc., an advertising product manufacturer, Advanced Brands, Inc., a ready-to-cook food producer, and Diamond Vogel Paint and Wax, a full line paint manufacturer.

The City's economic outlook continues to be positive, with industry and commercial business showing continued growth in product lines and employment.

Fiscal year 2004-2005 was another great year for the community of Orange City. Many exciting trends and projects took places that continue to improve the quality of life for its citizens.

Bids were let and a contract was awarded for construction of streets in one of the original parts of town. The project added nine blocks of resurfaced streets in our residential district. The city council has continued their plan to keep infrastructure in the community in good repair for the future.

Another great project that is under way is the construction of a new hospital building. The City had a public vote for the General Obligation bond of \$3.5 million dollars to go toward the 30 million dollar project. This project will consist of equipping a municipal acute care hospital of approximately 25 beds, a surgery center, a diagnostic center providing radiology and laboratory services, and a clinic for family care and specialist services. The hospital is scheduled to be complete in the summer of 2006.

The City of Orange City plays an important part in the community growth, which will continue with active participation in the planning process of our community.

Long-Term Financial Planning

Management of the City of Orange City is responsible for establishing and maintaining internal controls designed to ensure that the assets of the government are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the presentation of financial statements in conformity with generally accepted accounting principles. The internal control system is designed to provide reasonable, but not absolute, assurance that these objectives are met.

Unreserved, undesignated fund balance in the general fund falls within the policy guidelines set by the Council for budgetary and planning purposes (i.e., between 25 and 30 percent of total general fund revenues). Following its recent review of the City of Orange City's strategic plan, the Council plans on keeping the percentage the same for the following year, this will reduce the amount that will be needed to borrow to finance future construction.

Awards and Acknowledgements


The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Orange City for its comprehensive annual financial report (CAFR) the year ended June 30, 2004. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local governmental financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City of Orange City has received a Certificate of Achievement for the last 23 consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

The preparation of this report would not have been possible without the efficient and dedicated service of the entire office staff. We wish to express our appreciation also to all our City employees for their dedication to making city services the best. Credit also must be given to the Honorable Mayor and City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Orange City's finances.

Respectfully submitted,



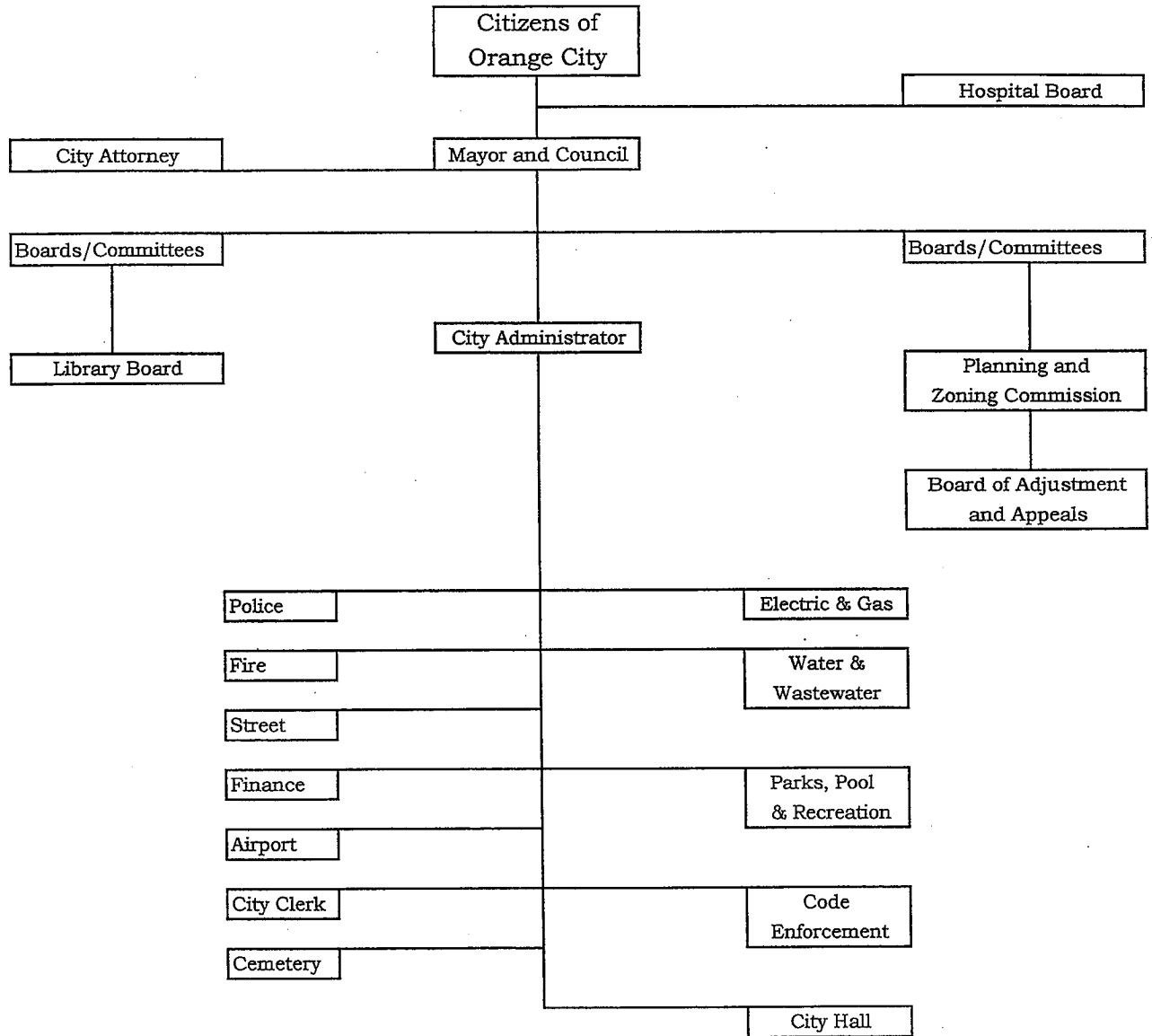
Duane Feekes
City Administrator



Kent Anderson
Finance Officer

CITY OF ORANGE CITY, IOWA

ORGANIZATIONAL CHART



CITY OF ORANGE CITY, IOWA

Directory of City Officials
Elected City Officers
June 30, 2005

MAYOR

Daryl Beltman

COUNCIL MEMBERS

Ryan Achterhoff
Steve Roesner
Mick Snieder
Bruce Muilenburg
Earl Woudstra

HOSPITAL TRUSTEES

Les Douma
Randy Jacobsma
Paul Koets
Shirley Van Wechel
Tim Zeutenhorst
Brenda Herda
Gary Vande Vegte

APPOINTED CITY OFFICERS

Duane Feekes
City Administrator

Loren Veldhuizen
City Attorney

APPOINTED BOARDS AND COMMISSIONS

ZONING BOARD OF APPEALS

Gary Cleveringa, Chairman
John Kooiman, Vice Chairman
John Zeutenhorst
Don Engelties
Audley Van Peurse

PLANNING AND ZONING COMMISSION

David Van Engelenhoven, Chairman
Richard Deets, Vice Chairman
Bennie Mulder
Alan Krull
Rhonda Moret
Scott Simmelink
Dale Pluim

ARTS COUNCIL

Karen Barker, President
Keith Allen, Vice President
Grete Carlson, Secretary
Perry Borchard, Treasurer
Leanne Bonnecroy
Bonnie DeJong
Margene Eekhoff
Lori Kroeze
Coleman McAllister
Martha Rankin
Kim Starkenburg
Marilyn Van Engelenhoven
Joyce Bloemendaal, Executive Director

LIBRARY BOARD OF DIRECTORS

Peg Juffer, President
Anita Bomgaars, Vice President
Ed Starkenburg, Treasurer
Leora Olson, Secretary
John Buntsma
Jim Ludens
Mary Vande Brake

FIRE DEPARTMENT

Scott Arft
Mike Avery
Daryl Beltman
Riley Bruxvoort
Rob Bruxvoort
Kevin Dekker
Brian De Kock
Jon DeKoster
Brad De Vos
David Dykstra
DeWayne Dykstra
Josh Dykstra
Mel Elsberry
Brian Feenstra
Chad Hase
Tim Huffman
Nic Kramer
Alan Jeltema
Gary Jeltema
Darwin Koele
John Lambert
Ann Lundberg
Ken Meendering
Cory Riemersma
Mike Ritz
Dan Roghair
Bruce Schutt
Scott Simmelink
Dennis Vander Wel, Chief
Mike Verdoorn

CITY PERSONNEL

ADMINISTRATION

Kent Anderson
Gary Blythe
Janet Brown
Duane Feekes
Ted Loucks
Ken Meendering
Barb Ramsey
Mary Wichers

Finance Officer
Assistant Administrator
City Clerk
City Administrator
Public Works Director
Code Officer
Billing Clerk
Receptionist/Secretary

POLICE DEPARTMENT

Dann De Vries
Peter De Beer
Duane Hulstein
Bruce Jacobsma
Jim Pottebaum
Wesley Van Voorst
Robert Van Zee

Chief of Police
Police Officer
Police Officer
Police Officer
Police Officer
Police Officer
Police Officer

STREET DEPARTMENT

Jeremy Bach
Kirk Maasdam
Randy Van De Griend

Street Crewman/Mechanic
Street Crewman
Street Foreman

PARKS AND RECREATION

Todd Larson
Brian Goslinga

Director
Park Maintenance

MUNICIPAL BUILDINGS

Bill Van Marel, Jr.

Custodian

UTILITIES

Alan De Boer
David Sassman
Michael Klootwyk
Jerry Reuvers
Arlan Scholten
Walt Schwebach
Michael Verdoorn
Alan DeJong
Gerry Bomgaars
Ed De Jong

Electric Line Maintenance Worker I
Water & Wastewater Operator
Electric Line Maintenance Worker II
Water & Wastewater Operator
Electric Department Foreman
Water & Wastewater Foreman
Electric Line Maintenance Worker I
Electric Line Maintenance Worker I
Gas Utility Foreman
Gas Utility Crewman

AIRPORT

Ron Vander Weide

Base Operator

HOSPITAL

Martin W. Guthmiller
Dina Baas

Administrator
Chief Financial Officer

LIBRARY

Karla Chase

Administrator

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Orange City,
Iowa

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Nancy L. Ziehl

President

Jeffrey R. Enen

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Orange City, Iowa for its comprehensive annual financial report for the fiscal year ended June 30, 2004. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report whose contents conform to program standards. Such comprehensive annual financial report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.



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P.O. Box 1010
Le Mars, IA 51031
Phone (712) 546-7801
Fax (712) 546-6543

INDEPENDENT AUDITORS' REPORT

The Honorable Members of the City Council
City of Orange City, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the CITY OF ORANGE CITY, IOWA (the City) as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We did not audit the financial statements of the Orange City Municipal Hospital, (a discretely presented component unit), which statements reflect total assets of \$39,847,463 and total operating revenues of \$26,434,382 for the year then ended. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion insofar as it relates to the amounts included for the Orange City Municipal Hospital, is based solely on the report of the other auditors.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the U.S. Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit, and the report of the other auditors, provides a reasonable basis for our opinions.

In our opinion, and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2005, on our consideration of the City of Orange City, Iowa's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The accompanying Introductory Section and Statistical Section are presented for purposes of additional analysis and are not a required part of the financial statements of the City of Orange City, Iowa. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on it.

The accompanying combining non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Williams & Legrand, P.C.
Certified Public Accountants

Le Mars, Iowa
September 9, 2005

Management's Discussion and Analysis

June 30, 2005

This discussion and analysis of the City of Orange City financial performance provides an overview of the City's financial activities for the fiscal year ending June 30, 2005. We encourage the readers to consider the information presented here in conjunction with the additional information furnished in our letter of transmittal on page 1 and the City's financial statements that follow this report, as well as the separately issued financial statements of Orange City's Hospital, a discretely presented component unit of the City.

Financial Highlights

- The assets of the City of Orange City exceeded liabilities at June 30, 2005 by \$24,267,798. Of this amount, \$5,345,037 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net assets decreased by \$3,083,104 during the year. Of this amount, the assets of our Governmental Activities decreased by \$3,532,394 and the assets of our Business Activities increased \$449,290.
- The largest factor in the decrease in net assets was the amount of new debt issued that is recorded as a liability rather than and other financing source. In fiscal year 2005, that amount was \$4,095,000.
- The City's long-term debt increased \$2,810,000 due to the issuance of General Obligation Capital Loan Notes of \$4,095,000 for capital projects. Outstanding General Obligation debt totals \$7,470,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

In addition to the Management Discussion and Analysis, this annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements tell how these services were financed in the short term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government. An additional part of the basic financial statements are the Notes to the Financial Statements. This report also contains other supplementary information in addition to the basic financial statements.

REPORTING THE CITY AS A WHOLE

The Statement of Net Assets and the Statement of Activities

The government-wide statements report information about the City as a whole using accounting methods similar to those used by the private sector companies. The Statement of Net Assets includes all of the government's assets and liabilities. All of the current year's revenue and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

These statements include all assets and liabilities using the accrual basis of accounting, which is very similar to the method of accounting used by the private-sector companies. These two statements report the City's net assets, which is the difference between assets and liabilities, as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. Additional factors, such as changes in the City's property tax base and condition of the City's infrastructure, are also important in making this determination.

In the Statement of Net Assets and the Statement of Activities, we have divided the City into two kinds of activities:

- **Governmental Activities** – Most of the City's basic services are reported here, such as Police, Fire, Public Works, and Parks departments, and general administration. Property Taxes and state and federal grants finances most of these activities.
- **Business Type Activities** – The City charges fees to customers to cover the cost of these services. Included here are the City Electric, Water, Sewer, and Natural Gas funds.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds- not the City as a whole. Some funds are required to be established by State law or by bond requirements. The City Council also established funds to control and manage money for particular purposes (such as construction projects) and to show that it is properly using certain revenues (such as Sales Tax Revenues). The City has the following types of funds:

- **Governmental Funds** – Most of the City's basic services are included in Governmental Funds, which focus on how money moves into and out of these funds and the balances left at year-end are available for spending. These funds are reported using the "modified accrual basis" of accounting, which measures cash and all other financial assets that can readily be converted to cash. The Governmental Fund Statements provide a detailed short-term view of the City's general governmental operations and basic services it provides. Governmental Fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance City programs. We describe the relationship between Governmental Activities (reported in the Statement of Net Assets and the Statement of Activities) and Governmental Funds in a reconciliation following each Governmental Fund financial statement.
- **Proprietary Funds** – When the City charges customers for the service it provides, these services are generally reported in Proprietary Funds. Proprietary Funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. The major difference between the Proprietary Funds report and the Business Type Activities we report in the government-wide statements is the detail and additional information, such as cash flows, provided in the Proprietary Funds report.

THE CITY AS TRUSTEE

Reporting the City's Fiduciary Responsibilities

Fiduciary Funds are used to account for resources held for the benefit of parties outside the City government. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets and a Statement of Changes in Fiduciary Net Assets. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found behind the Fiduciary Funds statements.

THE CITY AS A WHOLE

As stated earlier, net assets may serve over time as a useful indicator of a government's financial position. The largest part of the City's net assets reflects its investment in capital assets (land, buildings and improvements, and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must

be provided from the other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following comparative chart shows the changes in net assets for the years ended June 30, 2005 and 2004.

	General Governmental Activities		Business-Type Activities	
	2005	2004	2005	2004
Current and Other Assets	\$ 3,427,615	\$ 4,070,213	\$ 8,511,881	\$ 9,002,342
Capital Assets	14,215,341	13,646,848	16,668,826	16,421,081
Total Assets	17,642,956	17,717,061	25,180,707	25,423,423
Long-Term Liabilities Outstanding	7,470,000	4,155,000	6,910,000	7,425,000
Other Liabilities	2,867,585	2,628,124	1,308,280	1,513,458
Total Liabilities	10,337,585	6,783,124	8,218,280	8,938,458
Net Assets:				
Invested in Capital Assets, Net of Related Debt	6,745,341	9,491,848	9,243,826	8,491,081
Restricted	104,647	95,709	2,828,947	3,157,017
Unrestricted	455,383	1,346,380	4,889,654	4,836,867
Total Net Assets	\$ 7,305,371	\$ 10,933,937	\$ 16,962,427	\$ 16,484,965

	Totals	
	2005	2004
Current and Other Assets	\$11,939,496	\$13,072,555
Capital Assets	30,884,167	30,067,929
Total Assets	42,823,663	43,140,484
Long-Term Liabilities Outstanding	14,380,000	11,580,000
Other Liabilities	4,175,865	4,141,582
Total Liabilities	18,555,865	15,721,582
Net Assets:		
Invested in Capital Assets, Net of Related Debt	15,989,167	17,982,929
Restricted	2,933,594	3,252,726
Unrestricted	5,345,037	6,183,247
Total Net Assets	\$24,267,798	\$27,418,902

This summary reflects a decrease of 33.19% for the governmental net assets and an increase of 2.90% in the business-type net assets. The governmental net asset decrease is due to expending resources for capital projects before the financing source has been funded.

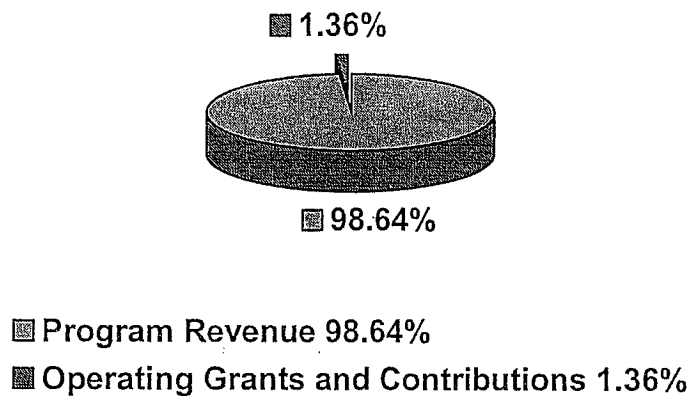
Total revenue reported in Fiscal 2005 was \$12,920,007. The following table breaks down revenues collected for General Governmental Activities and Business-Type Activities for Fiscal Year 2005 and 2004:

Revenue Source	General Governmental Activities		Business-Type Activities	
	2005	2004	2005	2004
Program Revenues:				
Charges for Services	\$ 574,679	\$ 553,804	\$ 9,275,667	\$ 9,038,721
Operating Grants and Contributions	136,151	53,302	-	-
Capital Grants and Contributions	-	107,570	-	-
Total Program Revenues	<u>710,830</u>	<u>714,676</u>	<u>9,275,667</u>	<u>9,038,721</u>
General Revenues & Interfund Transfers:				
Property Taxes	1,617,548	1,531,410	-	-
Other Taxes	-	66,957	-	-
Local Option Sales Tax	601,573	420,939	-	-
Contributions	-	25,219	-	-
Interest	36,154	19,059	82,711	84,953
General Intergovernmental Revenues	467,121	518,541	-	-
Revenue from Use of Property	13,114	11,187	-	-
Gain (Loss) on Sales of Assets	(3,700)	1,555	-	-
Miscellaneous	37,583	30,588	81,406	76,445
Interfund Transfers	220,926	199,663	(220,926)	(199,663)
Total General Revenues & Interfund Transfers:	<u>\$ 2,990,319</u>	<u>\$ 2,825,118</u>	<u>(56,809)</u>	<u>(38,265)</u>
Total Revenues & Interfund Transfers:	<u>\$ 3,701,149</u>	<u>\$ 3,539,794</u>	<u>\$ 9,218,858</u>	<u>\$ 9,000,456</u>

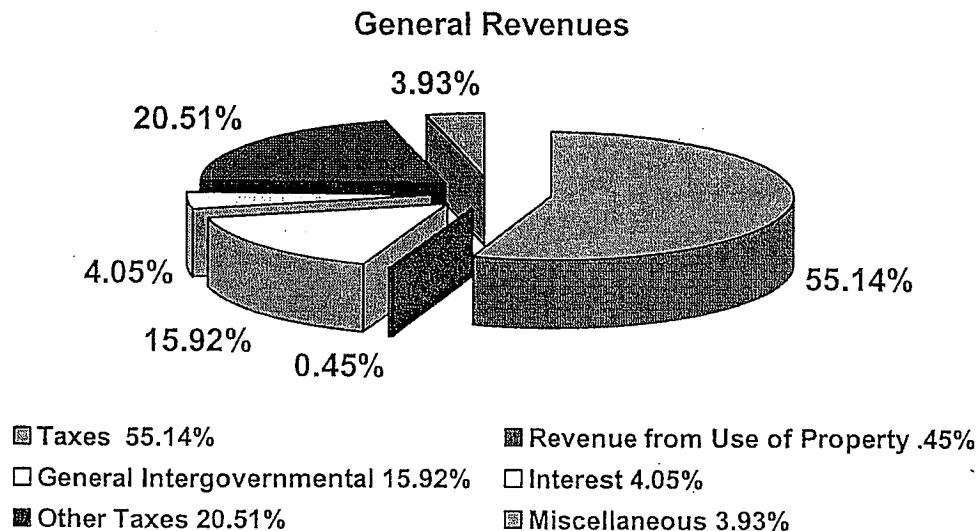
Revenue Source	Totals	
	2005	2004
Program Revenues:		
Charges for Services	\$ 9,850,346	\$ 9,592,525
Operating Grants and Contributions	136,151	53,302
Capital Grants and Contributions	-	107,570
Total Program Revenues	<u>9,986,497</u>	<u>9,753,397</u>
General Revenues & Interfund Transfers:		
Property Taxes	1,617,548	1,531,410
Other Taxes	-	66,957
Local Option Sales Tax	601,573	420,939
Contributions	-	25,219
Interest	118,865	104,012
General Intergovernmental Revenues	467,121	518,541
Revenue from Use of Property	13,114	11,187
Gain (Loss) on Sales of Assets	(3,700)	1,555
Miscellaneous	118,989	107,033
Interfund Transfers	-	-
Total General Revenues & Interfund Transfers:	<u>\$ 2,933,510</u>	<u>\$ 2,786,853</u>
Total Revenues & Interfund Transfers:	<u>\$ 12,920,007</u>	<u>\$ 12,540,250</u>

Program revenues totaled \$9,986,497 for fiscal year 2005. Governmental Activities provided \$710,830 and Business-Type Activities provided \$9,275,667. Revenue collected for Charges for Services during fiscal year 2005 was \$9,850,346, accounting for 98.6% of the total program revenues. The following chart breaks down program revenues by source:

Program Revenues



General Revenues for fiscal year 2005 totaled \$2,933,510. Governmental Activities provided \$2,990,319 and Business-Type Activities used \$56,809. Property Tax Revenues for fiscal year 2004 totaled \$1,617,548, accounting for 54.1% of General Revenues. The following chart breaks down General Revenues by source:



Expenditures for Fiscal 2005 totaled \$ 16,003,111. Expenditures for General Governmental Activities totaled \$ 7,233,543, accounting for 45% of total expenditures. Business-Type Activity expenditures totaled \$ 8,769,568, for 55% of the total.

The following table shows total expenditures by Function/Program for FY 2005 and FY 2004:

	General Governmental Activities		Business-Type Activities	
	2005	2004	2005	2004
Public Safety	\$ 571,640	\$ 648,483	-	-
Public Works	1,503,075	1,489,282	-	-
Culture and Recreation	923,700	1,104,755	-	-
Community & Economic Development	3,510,694	88,712	-	-
General Government	442,852	436,509	-	-
Debt Service	281,582	195,476	-	-
Capital Projects	-	299,765	-	-
Sewer System	-	-	\$ 478,203	\$ 456,873
Water System	-	-	673,470	591,156
Electric System	-	-	4,360,760	3,969,124
Natural Gas System	-	-	3,257,135	2,887,306
Total Expenditures	<u>\$ 7,233,543</u>	<u>\$ 4,262,982</u>	<u>\$ 8,769,568</u>	<u>\$ 7,904,459</u>

	Totals	
	2005	2004
Public Safety	\$ 571,640	\$ 648,483
Public Works	1,503,075	1,489,282
Culture and Recreation	923,700	1,104,755
Community & Economic Development	3,510,694	88,712
General Government	442,852	436,509
Debt Service	281,582	195,476
Capital Projects	-	299,765
Sewer System	478,203	456,873
Water System	673,470	591,156
Electric System	4,360,760	3,969,124
Natural Gas System	3,257,135	2,887,306
Total Expenditures	<u>\$ 16,003,111</u>	<u>\$12,167,441</u>

The following table shows the activities included within each program level:

<u>Program Level</u>	<u>Activity</u>
Public Safety	Individual & Community Protection, Physical Health
Public Works	Roadway Construction, Airport Operations, Street Lighting, Transportation Services
Culture and Recreation	Education & Culture, Leisure Time Opportunities
Community and Economic Development	Economic Development, Community Beautification, Planning and Zoning
General Government	Administration, Support Services
Debt Service	Payment of Interest
Capital Projects	Construction of Capital Facilities
Sewer System	Operation of the Waste Water Treatment Plant/Supply Distribution System
Water System	Operation of Water Treatment Plant/Supply Distribution System
Electric System	Operation of Electric Plant/Supply Distribution System
Natural Gas System	Operation of Natural Gas Plant/Supply Distribution System

Governmental of Activities

To aid in the understanding of the Statement of Activities, some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses and Changes in Fund Balance. Please note that the expenses are listed in the first column, with revenues from that particular program reported to the right. The result is a Net (Expense) Revenue calculation. This format highlights the respective financial burden that each of the functions place on the taxpayers. For example, for Public Safety, the City spent \$ 571,640 and received \$ 139,081 in revenue, thus leaving a cost to the taxpayer of \$ 432,559 to be funded by various methods. The new format also identifies how much each function draws from general revenues or is self-financing through fees or grants. Some of the individual line item revenues reported for each function are:

Public Safety	Fines, Fees
Public Works	Road Use Tax, Rent, Special Assessments
Culture and Recreation	Fees, State Aid
General Government	Licenses, Permits
Capital Projects	Donations, State Grants, Federal Grants

The total cost of governmental activities this year was \$7,233,543. Of these costs, \$574,679 was paid by those who directly benefited from the programs. Costs paid by other governments and organizations that subsidized certain programs with grants and contribution was \$136,151, leaving a Net Expense of \$6,522,713 for Governmental Activities. These expenses of \$6,522,713 were covered with tax revenues, interest and other general revenues. The Statement of Activities in the financial statements provides further detail. The Net (Expense) Revenue by Governmental Activity is shown in the following table:

Functions/Programs	Net (Expense) Revenue	
	2005	2004
Governmental Activities:		
Public Safety	\$ (432,559)	\$ (457,899)
Public Works	(1,300,832)	(1,199,485)
Health & Social Services	-	4,283
Culture and Recreation	(708,177)	(952,785)
Community and Economic Development	(3,500,694)	(75,212)
General Government	(363,064)	(371,967)
Debt Service	(281,582)	(195,476)
Capital Projects	64,195	(299,765)
Total Net (Expense) Revenue Governmental Activities	(6,522,713)	(3,548,306)
General Revenues & Interfund Transfers	2,990,319	2,825,118
Change in Net Assets	\$ (3,532,394)	\$ (723,188)

Total resources available during the year to finance governmental operations were \$14,538,914, consisting of Net Assets at July 1, 2004 of \$10,837,765, Program Revenues of \$710,830 and General Revenues of \$2,990,319. Total Governmental Activities during the year expended \$ 7,233,543; thus, Net Assets were decreased by \$3,532,394, to \$7,305,371.

Business Type Activities

Business Type Activities increased the City's net assets by \$449,290.

The cost of all Proprietary Activities this year was \$8,769,568. As shown in the Statement of Activities, the amounts paid by users of the systems was \$9,275,667, resulting in total Net Revenue for Business Type Activities of \$506,099. The Net (Expense) Revenue by Business Type Activity is shown in the following table:

Business-Type Activities	Net (Expense) Revenue	
	2005	2004
Governmental Activities:		
Electric System	\$ 275,199	\$ 567,113
Water System	99,846	113,410
Sewer System	55,718	264,569
Natural Gas System	75,336	189,170
Total Net (Expense) Revenue Business-Type Activities	506,099	1,134,262
General Revenues & Interfund Transfers	(56,809)	(38,265)
Change in Net Assets	\$ 449,290	\$ 1,095,997

Total resources available during the year to finance Proprietary Fund activities were \$25,713,995, consisting of Net Assets at July 1, 2004 of \$16,513,137, Program Revenues of \$9,275,667 and General Revenues of \$(56,809). Total Proprietary Fund Activities during the year expended \$8,769,568; thus Net Assets were increased by \$449,290 to \$16,962,427.

Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. Unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year. The City's Governmental Funds reported combined ending fund balances of \$401,803. The combined Governmental Funds balance decreased \$723,495 from the prior year.

The General Fund is the primary operating fund of the City. During the year, revenues exceeded expenditures in the General fund by \$226,249.

The Road Use Tax Fund is used to account for the collection and disbursement of state fuel tax dollars. During the year, expenditures exceeded revenues by \$21,761.

The Local Option Sales Tax Fund is used to account for the collection and disbursement of local option sales tax dollars to be used for property tax replacement and therefore transferred to the general fund.

The Debt Service Fund is used to account for collection of general property taxes for the repayment of general obligation debt.

The Hospital project is used to account for the construction of a new municipal hospital. The project will be funded with general obligation bonds, private donations and revenue financing.

General Fund Budgetary Highlights

Comparing the fiscal year 2005 original (adopted) General Fund amount of \$2,502,474 to the final budget amount of \$2,615,474 shows a net increase of \$113,000.

Original Budget	Supplemental Changes	Amended Budget
\$2,502,474	\$ 113,000	\$ 2,615,474

The following table shows the General Fund budget variances by program structure:

Expenditures	Amended Budget	Actual	Variance
Public Safety	\$ 494,334	\$ 536,420	\$ 48,524
Public Works	710,321	616,102	94,219
Culture and Recreation	799,948	798,874	1,074
Community and Economic Development	64,749	57,082	7,667
General Government	455,512	413,772	41,740
Total Expenditures	\$ 2,615,474	\$ 2,422,250	\$ 193,224

Capital Assets

The City's investment in capital assets, including land, buildings and improvements, equipment, streets, and other infrastructure represents the value of the resources utilized to provide services to our citizens. The investment in capital assets as of June 30, 2005, was \$15,989,167 (net of accumulated depreciation and outstanding financings). The gross additions to capital assets for Fiscal 2005 are as follows:

	General Governmental Activities		Business-Type Activities	
	2005	2004	2005	2004
Land		-	\$ 41,600	-
Infrastructure	\$ 494,334	-	-	-
Buildings	15,935	\$ 59,469	2,115,294	-
Improvements-Other than Buildings	7,241	47,642	-	\$ 211,700
Equipment	65,657	53,104	246,228	117,370
Utility Plant	-	-	2,745,609	-
Construction in Progress	1,457,586	364,601	222,539	2,204,899
Total Gross Additions	\$ 2,040,753	\$ 364,601	\$ 5,371,270	\$ 2,533,969

	Totals	
	2005	2004
Land	\$ 41,600	-
Infrastructure	494,334	-
Buildings	2,131,229	\$ 59,469
Improvements-Other Buildings	7,241	259,342
Equipment	311,885	170,474
Utility Plant	2,745,609	-
Construction in Progress	1,680,125	2,569,500
Total Expenditures	\$ 7,412,023	\$ 3,058,785

Construction In Progress at June 30, 2005 for governmental activities consisted of costs associated with the 2004 Street Project, Hospital Street Project, and 14th Street Project.

For Business-Type Activities, the Construction in progress consisted of costs associated with the electric distribution improvements.

See Note 6 to the financial statements for more information on the City's capital assets.

DEBT ADMINISTRATION

At year-end the City had \$14,895,000 of debt outstanding. This is an increase of \$2,810,000 from the prior year. This increase is made up of \$3.5 million G.O. issue for a Hospital project and \$300,000 thousand G.O. issue for a street project.

Debt administration is on track, with over 69% of all City debt repaid within the next 10 years. This rapid repayment, when combined with the use of TIF has allowed the City to maintain our good rating. This reflects well on our community.

The City continues to operate well under State debt capacity limitations. The State limits the amount of General Obligation Debt Outstanding to 5% of the assessed value of all taxable property in the community. Thus, our debt capacity is \$10,712,746. With outstanding General Obligation Debt applicable to this limit of \$7,435,593, we are utilizing 69.4% of this limit. More detailed information on debt administration is provided in Note 7 of the financial statements.

ECONOMIC FACTORS

The City of Orange City worked hard in FY 2005 to maintain a positive approach to growth and development. Continued progressive growth in the Orange City community had a positive effect on the City's unemployment and tax base. The growth in Local Option Sales Tax demonstrates that the Orange City's economy continues to grow.

New housing developments in the city include private development, including water, sewer and paving improvements. The City has worked to market the new industrial park located in the south end of town. The City is looking forward to new industry coming to the community.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Kent Anderson at 712-707-4885.

CITY OF ORANGE CITY, IOWA
STATEMENT OF NET ASSETS
JUNE 30, 2005

	Primary Government			Component Unit
	Governmental	Business-Type	Total	Orange City Municipal Hospital
	Activities	Activities		
ASSETS				
Cash and Cash Equivalents	\$ 337,082	\$ 567,257	\$ 904,339	\$ 4,119,587
Investments	721,640	2,550,000	3,271,640	1,917,549
Receivables (Net, where applicable, of allowance for uncollectibles)				
Accounts	15,840	662,013	677,853	3,229,897
Taxes	22,933	-	22,933	-
Subsequent Year Taxes	1,830,373	-	1,830,373	-
Accrued Interest	3,965	10,902	14,867	11,320
Other	-	18,158	18,158	1,213
Estimated Unbilled Usage	-	324,512	324,512	-
Special Assessments	106,907	-	106,907	-
Advances to Other Funds	(89,367)	89,367	-	-
Due from Other Governmental Agencies	107,410	142,990	250,400	-
Inventories	14,833	465,065	479,898	495,849
Prepaid Assets	76,354	55,183	131,537	34,316
Investment in Joint Venture	-	2,353,052	2,353,052	-
Other	-	-	-	195,056
Restricted Assets, Cash and Investments:				
Cash and Cash Equivalents	-	389	389	123,872
Temporary Cash Investments	70,240	-	70,240	670,000
Revenue Bond Current Debt	-	290,000	290,000	-
Service Account - Invest.	-	-	-	-
Revenue Bond Future Debt	-	775,500	775,500	-
Service Account - Invest.	-	-	-	-
Revenue Bond Contingency	-	100,000	100,000	-
(Renewal and Replacement)	-	-	-	-
Account - Investment	-	-	-	-
Pledges Receivable	-	-	-	2,415,982
Bond Issue Costs	120,037	107,493	227,530	68,175
Land	809,448	339,916	1,149,364	848,424
Construction in Progress	1,463,779	-	1,463,779	15,222,469
Infrastructure, Property and Equipment, Net of Accumulated Depreciation (Note 6)	11,942,114	16,328,910	28,271,024	10,493,754
Total Assets	17,553,588	25,180,707	42,734,295	39,847,463
LIABILITIES				
Accounts Payable	760,699	547,815	1,308,514	2,433,689
Accrued Wages and Compensated Absences	41,552	79,082	120,634	1,042,936
Accrued Expenses	90,954	16,217	107,171	169,950
Customer Deposits	-	75,172	75,172	-
Deferred Revenue - Subsequent Year Taxes	1,830,373	-	1,830,373	-
Advance from Other Funds	-	-	-	-
Payables from Restricted Assets:				
Accrued Interest	-	74,994	74,994	18,914
Revenue Bonds - Current	-	515,000	515,000	600,000
Noncurrent Liabilities:				
Due within one year:				
General Obligation Bonds	695,000	-	695,000	-
Capital Lease	-	-	-	11,413
Due in more than one year:				
Revenue Bonds Payable	-	6,910,000	6,910,000	3,425,000
General Obligation Bonds	6,775,000	-	6,775,000	-
Notes Payable	-	-	-	6,500,000
Compensated Absences and Benefits, Long-Term	54,639	-	54,639	926,417
Total Liabilities	10,248,217	8,218,280	18,466,497	15,128,319
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	6,745,341	9,243,826	15,989,167	16,028,234
Restricted for:				
Debt Service	34,407	475,895	510,302	-
Permanent	70,240	-	70,240	-
Investment in Joint Venture	-	2,353,052	2,353,052	-
Donor Restrictions	-	-	-	3,659,042
Unrestricted	455,383	4,889,654	5,345,037	5,031,868
Total Net Assets	\$ 7,305,371	\$ 16,962,427	\$ 24,267,798	\$ 24,719,144

See Accompanying Notes to Financial Statements

CITY OF ORANGE CITY, IOWA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Public Safety	\$ 571,640	\$ 120,206	\$ 18,875	\$ -
Public Works	1,503,075	202,243	-	-
Culture and Recreation	923,700	108,247	107,276	-
Community and Economic Development	3,510,694	-	10,000	-
General Government	442,852	79,788	-	-
Capital Projects	-	64,195	-	-
Debt Service	281,582	-	-	-
Total governmental activities	<u>7,233,543</u>	<u>574,679</u>	<u>136,151</u>	<u>-</u>
Business-Type Activities:				
Electric Utility	4,360,760	4,635,959	-	-
Water Utility	673,470	773,316	-	-
Sewer Utility	478,203	533,921	-	-
Gas Utility	3,257,135	3,332,471	-	-
Total Business-Type Activities:	<u>8,769,568</u>	<u>9,275,667</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 16,003,111</u>	<u>\$ 9,850,346</u>	<u>\$ 136,151</u>	<u>\$ -</u>
Component Unit:				
Orange City Municipal Hospital	<u>\$ 25,022,329</u>	<u>\$ 26,434,382</u>		

General Revenues:
Property taxes
Local Option Sales Tax
Contributions
Interest
General Intergovernmental Revenues
Use of property
(Loss) on Sale of Assets
Miscellaneous
Interfund Transfers
Total general revenues and transfers
Change in net assets
Net assets - beginning
Prior Period Adjustment
Net assets - ending

See Accompanying Notes to Financial Statements

Net (Expense) Revenue and Changes in Net Assets			Component Unit Orange City Municipal Hospital
Governmental Activities	Business-Type Activities	Total	
\$ (432,559)		\$ (432,559)	
(1,300,832)		(1,300,832)	
(708,177)		(708,177)	
(3,500,694)		(3,500,694)	
(363,064)		(363,064)	
64,195		64,195	
(281,582)		(281,582)	
<u>(6,522,713)</u>		<u>(6,522,713)</u>	
	\$ 275,199	275,199	
	99,846	99,846	
	55,718	55,718	
	75,336	75,336	
	<u>506,099</u>	<u>506,099</u>	
<u>(6,522,713)</u>	<u>506,099</u>	<u>(6,016,614)</u>	
			\$ 1,412,053
1,617,548	-	1,617,548	-
601,573	-	601,573	-
-	-	-	5,544,534
36,154	82,711	118,865	85,487
467,121	-	467,121	-
13,114	-	13,114	-
(3,700)	-	(3,700)	-
37,583	81,406	118,989	23,049
220,926	(220,926)	-	-
<u>2,990,319</u>	<u>(56,809)</u>	<u>2,933,510</u>	<u>5,653,070</u>
(3,532,394)	449,290	(3,083,104)	7,065,123
10,865,937	16,484,965	27,350,902	17,654,021
(28,172)	28,172	-	-
<u>\$ 7,305,371</u>	<u>\$ 16,962,427</u>	<u>\$ 24,267,798</u>	<u>\$ 24,719,144</u>

CITY OF ORANGE CITY, IOWA
BALANCE SHEET
Governmental Funds
JUNE 30, 2005

	General	Road Use Tax	Local Option Sales Tax
Assets			
Cash and Pooled Investments	\$ 98,788	\$ 57,610	\$ 96,477
Investments	721,640	-	-
Receivables (Net, where applicable, of allowance for uncollectibles)			
Accounts	15,840	-	-
Taxes	3,865	-	-
Subsequent Year Taxes	890,066	-	-
Accrued Interest	3,965	-	-
Special Assessments	106,907	-	-
Due from Other Funds	444,076	177,309	303,301
Due from Other Governmental Agencies	1,149	36,845	69,416
Inventories	-	14,833	-
Restricted Assets, Cash and Investments:			
Temporary Cash Investments	-	-	-
Total Assets	2,286,296	286,597	469,194
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable	164,774	-	-
Accrued Wages and Compensated Absences	41,552	-	-
Due to Other Funds	-	-	-
Unearned Revenue	90,729	-	-
Deferred Revenue - Subsequent Year Taxes	890,066	-	-
Advance from Other Funds	-	-	-
Total Liabilities	1,187,121	-	-
Fund Balances:			
Reserved for:			
Debt Service	-	-	-
Perpetual Care	-	-	-
Inventories	-	14,833	-
Unreserved			
Special Revenue Funds		271,764	469,194
Capital Project Funds			
General Fund	1,099,175		
Total Fund Balances (Deficits)	1,099,175	286,597	469,194
Total Liabilities and Equity	\$ 2,286,296	\$ 286,597	\$ 469,194

See Accompanying Notes to Financial Statements

Debt Service	Hospital Project	Other Governmental Funds	Total Governmental Funds
\$ 32,039	\$ -	\$ 52,168	\$ 337,082
-	-	-	721,640
-	-	-	15,840
2,368	-	16,700	22,933
940,307	-	-	1,830,373
-	-	-	3,965
-	-	-	106,907
-	-	-	924,686
-	-	-	107,410
-	-	-	14,833
-	-	70,240	70,240
974,714	-	139,108	4,155,909

-	-	595,925	760,699
-	-	-	41,552
-	-	924,686	924,686
-	-	16,700	107,429
940,307	-	-	1,830,373
-	-	89,367	89,367
940,307	-	1,626,678	3,754,106

34,407	-	-	34,407
-	-	70,240	70,240
-	-	-	14,833
		(37,199)	703,759
	-	(1,520,611)	(1,520,611)
			1,099,175
34,407	-	(1,487,570)	401,803
\$ 974,714	\$ -	\$ 139,108	\$ 4,155,909

CITY OF ORANGE CITY, IOWA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
For the Year Ended June 30, 2005

Amounts reported for Governmental Activities in the Statement of Net assets are different because:

Total Fund Balance - Governmental Funds (page 27)	\$ 401,803
Infrastructure, property, and equipment used in governmental activities are not financial resources and, therefore, are not reported in the funds	14,215,341
Deferred revenues that provide current financial resources for governmental activities	107,429
activities	(90,954)
Accrued compensated absences not reported on the modified accrual basis	(54,639)
Bond issue costs are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources	120,037
Prepaid expenses are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources	76,354
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	<u>(7,470,000)</u>
Total Net Assets - Governmental Activities (page 23)	<u>\$ 7,305,371</u>

See Accompanying Notes to Financial Statements

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CITY OF ORANGE CITY, IOWA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Governmental Funds

Year Ended June 30, 2005

	General	Road Use Tax	Local Option Sales Tax
Revenue:			
Taxes	\$ 937,012	\$ -	\$ -
Special Assessments	-	-	-
Licenses and Permits	4,570	-	-
Intergovernmental	231,934	464,512	-
Charges for Services	320,412	-	-
Fines and Forfeits	28,854	-	-
Contributions from Property Owners	34,793	-	-
TIF Revenue	-	-	-
Local Option Sales Tax	-	-	424,715
Interest on Investments	20,139	-	1,428
Miscellaneous	73,883	-	-
Total Revenue	1,651,597	464,512	426,143
Expenditures:			
Public Safety	536,420	-	-
Public Works	616,102	-	-
Culture and Recreation	798,874	-	-
Community and Economic Development	57,082	-	-
General Government	413,772	-	-
Capital Projects	-	-	-
Debt Service:			
Principal Retirement	-	-	-
Interest	-	-	-
Total Expenditures	2,422,250	-	-
Excess (deficiency) of revenues over expenditures	(770,653)	464,512	426,143
Other financing sources (uses):			
Issuance of Debt	-	-	-
Transfers In	996,902	-	-
Transfers Out	-	(486,273)	(425,976)
Total other financing sources (uses)	996,902	(486,273)	(425,976)
Net Change in Fund Balance	226,249	(21,761)	167
Fund balances-beginning of year	872,926	308,562	469,027
Prior Period Adjustment			
Increase in Reserve for Inventory	-	(204)	-
Fund balances- end of year	\$ 1,099,175	\$ 286,597	\$ 469,194

See Accompanying Notes to Financial Statements

Debt Service	Hospital Project	Other Governmental Funds	Total Governmental Funds
\$ 672,474	\$ -	\$ -	\$ 1,609,486
-	-	64,194	64,194
-	-	-	4,570
-	-	-	696,446
-	-	2,240	322,652
-	-	-	28,854
-	-	-	34,793
-	-	163,965	163,965
-	-	12,893	437,608
3,809	10,612	167	36,155
4,330	-	225	78,438
680,613	10,612	243,684	3,477,161
-	-	-	536,420
-	-	-	616,102
-	-	-	798,874
-	-	-	57,082
-	-	-	413,772
-	3,454,612	1,593,510	5,048,122
780,000	-	-	780,000
188,915	56,000	21,295	266,210
968,915	3,510,612	1,614,805	8,516,582
(288,302)	(3,500,000)	(1,371,121)	(5,039,421)
295,000	3,500,000	300,000	4,095,000
-	-	136,273	1,133,175
-	-	-	(912,249)
295,000	3,500,000	436,273	4,315,926
6,698	-	(934,848)	(723,495)
27,709	-	(524,550)	1,153,674
-	-	(28,172)	(28,172)
-	-	-	(204)
\$ 34,407	\$ -	\$ (1,487,570)	\$ 401,803

CITY OF ORANGE CITY, IOWA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2005

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds (page 30)	\$ (723,699)
--	--------------

Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Capital outlays were exceeded by depreciation expense in the current year as follows:

Disposition of Capital Assets	\$(5,000)	
Expenditures for capital assets	1,682,345	
Depreciation expense	<u>(1,108,852)</u>	568,493

Revenues reported in the funds that are not available to provide current financial resources	8,062
--	-------

Prepaid insurance is not reported in the governmental funds as it is not available to provide current financial resources	(1,239)
---	---------

Accrued interest expense that does not require current financial resources	(72,214)
--	----------

Long-term accrual of compensated absences is not reported in the governmental funds as it does not consume current financial resources. The net change in in the long-term compensated absences for the year was:	(54,639)
---	----------

The issuance of indebtedness is provides current financial resources to the governmental funds without affecting net assets. The statement of activities does not reflect the proceeds from the issuance of long-term debt. The proceeds from the issuance of long-term debt for the year was:	(4,095,000)
--	-------------

The effect of bond issuance costs when new debt is issued, whereas, these amounts are deferred and amortized in the Statement of Activities	57,842
---	--------

The repayment of the principal of bonded long-term debt consumes the current financial resources of governmental funds without affecting the net assets. The statement of activities does not reflect the payment of principal on bonded long-term debt. The principal paid on bonded long-term debt during the current year was:	<u>780,000</u>
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Change in net assets of governmental activities (page 25)	<u><u>\$ (3,532,394)</u></u>
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CITY OF ORANGE CITY, IOWA
COMBINING STATEMENT OF NET ASSETS
Proprietary Funds
June 30, 2005

	Business Type Activities		
	Electric Utility	Water Utility	Sewer Utility
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 187,465	\$ 76,768	\$ 156,254
Investments	1,000,000	750,000	700,000
Receivables (Net, where applicable, of allowance for uncollectibles)			
Accounts	378,977	56,442	47,095
Accrued Interest	4,789	1,318	3,590
Other	14,784	1,650	1,699
Estimated Unbilled Usage	220,501	33,635	18,323
Advances to Other Funds	-	28,172	61,195
Due from Other Funds	-	-	151,918
Due from Other Governmental Agencies	-	71,495	71,495
Inventories	410,867	26,280	-
Prepaid Assets	22,607	15,419	9,510
Total Current Assets	2,239,990	1,061,179	1,221,079
Non Current Assets			
Investment in Joint Venture	1,728,052	625,000	-
Restricted Assets:			
Revenue Bond Current Debt Service - Cash	389		
Revenue Bond Current Debt			
Service Account - Investment	100,000	105,000	60,000
Revenue Bond Future Debt			
Service Account - Investment	200,500	267,000	150,000
Revenue Bond Contingency (Renewal and Replacement)			
Account - Investment	-	100,000	-
Bond Issue Costs	28,900	40,880	12,379
Land	27,539	63,224	249,153
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	5,976,259	4,683,713	4,117,313
Total Noncurrent Assets	8,061,639	5,884,817	4,588,845
Total Assets	10,301,629	6,945,996	5,809,924
LIABILITIES			
Current Liabilities			
Accounts Payable	330,196	53,429	6,029
Accrued Wages and Compensated Absences	43,400	13,748	10,443
Accrued Expenses	9,692	3,151	1,297
Customer Deposits	24,894	39,659	-
Due to Other Funds	-	-	-
Payables from Restricted Assets:			
Accrued Revenue Bond Interest	11,780	43,756	9,142
Revenue Bonds - Current	120,000	145,000	170,000
Total Current Liabilities	539,962	298,743	196,911
Noncurrent Liabilities:			
Due in more than one year:			
Revenue Bonds Payable	1,885,000	2,525,000	1,000,000
Total Liabilities	2,424,962	2,823,743	1,196,911
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	3,998,798	2,076,937	3,196,466
Restricted for:			
Debt Service	169,109	183,244	30,858
Investment in Joint Venture	1,728,052	625,000	-
Unrestricted	1,980,708	1,237,072	1,385,689
Total Net Assets	\$ 7,876,667	\$ 4,122,253	\$ 4,613,013

Business Type Activities

Gas Utility	Total
\$ 146,770	\$ 567,257
100,000	2,550,000
179,499	662,013
1,205	10,902
25	18,158
52,053	324,512
-	89,367
-	151,918
-	142,990
27,918	465,065
7,647	55,183
<u>515,117</u>	<u>5,037,365</u>
-	2,353,052
	389
25,000	290,000
158,000	775,500
-	100,000
25,334	107,493
-	339,916
<u>1,551,625</u>	<u>16,328,910</u>
<u>1,759,959</u>	<u>20,295,260</u>
<u>2,275,076</u>	<u>25,332,625</u>
158,161	547,815
11,491	79,082
2,077	16,217
10,619	75,172
151,918	151,918
10,316	74,994
80,000	515,000
<u>424,582</u>	<u>1,460,198</u>
<u>1,500,000</u>	<u>6,910,000</u>
<u>1,924,582</u>	<u>8,370,198</u>
(28,375)	9,243,826
92,684	475,895
-	2,353,052
286,185	4,889,654
<u>\$ 350,494</u>	<u>\$ 16,962,427</u>

CITY OF ORANGE CITY, IOWA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET ASSETS
Proprietary Funds
For the Year Ended June 30, 2005

	Business Type Activities	
	Electric Utility	Water Utility
Operating Revenues:		
Charges for Services	\$ 4,635,959	\$ 773,316
Total Operating Revenue	<u>4,635,959</u>	<u>773,316</u>
Operating Expenses:		
Production	2,874,105	136,040
Transmission	214,239	408
Distribution / Collection	370,508	117,368
Administrative and General	214,515	111,332
Depreciation	411,417	199,476
Total Operating Expenses	<u>4,084,784</u>	<u>564,624</u>
Operating Income	551,175	208,692
Non-Operating Income (Expense):		
Interest Income	28,398	18,453
Other Non-operating Revenues	38,762	32,764
Interest Expense	(74,709)	(108,846)
Other Non-operating Expenses	(201,267)	
Total Non-Operating Income (Expenses)	<u>(208,816)</u>	<u>(57,629)</u>
Income before Transfers	342,359	151,063
Transfers Out	<u>(184,426)</u>	<u>(15,000)</u>
Change in Net Assets	157,933	136,063
Net Assets - Beginning	7,718,734	3,958,018
Prior Period Adjustment		<u>28,172</u>
Net Assets - Ending	<u>\$ 7,876,667</u>	<u>\$ 4,122,253</u>

See Accompanying Notes to Financial Statements

Business Type Activities		
Sewer Utility	Gas Utility	Total
\$ 533,921	\$ 3,332,471	\$ 9,275,667
533,921	3,332,471	9,275,667
72,038		3,082,183
	2,876,376	3,091,023
70,384	98,214	656,474
105,034	149,596	580,477
167,531	59,039	837,463
414,987	3,183,225	8,247,620
118,934	149,246	1,028,047
30,369	5,491	82,711
8,588	1,292	81,406
(63,216)	(73,910)	(320,681)
		(201,267)
(24,259)	(67,127)	(357,831)
94,675	82,119	670,216
(15,000)	(6,500)	(220,926)
79,675	75,619	449,290
4,533,338	274,875	16,484,965
		28,172
\$ 4,613,013	\$ 350,494	\$ 16,962,427

CITY OF ORANGE CITY, IOWA
COMBINING STATEMENT OF CASH FLOWS
Proprietary Funds
For the Year Ended June 30, 2005

	Business Type Activities	
	Electric Utility	Water Utility
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 4,642,251	\$ 767,992
Cash Paid to Suppliers for Goods and Services	(3,456,391)	(229,746)
Cash Paid to Employees for Services	(389,260)	(195,922)
Other Nonoperating Income	38,762	32,764
Other Nonoperating Expenses	(99,651)	
Net Cash Provided by Operating Activities	<u>735,711</u>	<u>375,088</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
(Increase) in Investment in Joint Venture	(4,311)	
Acquisition and Construction of Capital Assets	(678,858)	(203,635)
Due from Other Governments		(13,930)
Principal Paid on Notes and Bonds	(115,000)	(140,000)
Interest Paid on Notes and Bonds	(71,539)	(106,136)
Net Cash (Used) for Capital and Related Financing Activities	<u>(869,708)</u>	<u>(463,701)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Operating Transfers From (To) Other Funds	(184,426)	(15,000)
Advances From (To) Other Funds		19,198
Due From (To) Other Funds		
Net Cash Provided (Used) for Non-Capital Financing Activities	<u>(184,426)</u>	<u>4,198</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Investment Securities	(592,500)	(2,070,000)
Proceeds from Sale of Investment Securities	1,066,500	2,154,000
Interest and Dividends on Investments	25,885	17,793
Net Cash Provided (Used) for Investing Activities	<u>499,885</u>	<u>101,793</u>
Net Increase (Decrease) in Cash and Cash Equivalents	181,462	17,378
Cash and Cash Equivalents at Beginning of Year	<u>6,392</u>	<u>59,390</u>
Cash and Cash Equivalents at End of Year	<u>\$ 187,854</u>	<u>\$ 76,768</u>

See Accompanying Notes to Financial Statements

Business Type Activities		
Sewer Utility	Gas Utility	Total
\$ 529,819	\$ 3,321,031	\$ 9,261,093
(103,526)	(3,124,509)	(6,914,172)
(143,322)	(122,159)	(850,663)
8,588	1,292	81,406
		(99,651)
<u>291,559</u>	<u>75,655</u>	<u>1,478,013</u>
		(4,311)
(161,978)	(40,738)	(1,085,209)
(71,495)		(85,425)
(170,000)	(80,000)	(505,000)
(60,038)	(71,455)	(309,168)
<u>(463,511)</u>	<u>(192,193)</u>	<u>(1,989,113)</u>
(15,000)	(6,500)	(220,926)
91,123		110,321
119,219	(50,000)	69,219
<u>195,342</u>	<u>(56,500)</u>	<u>(41,386)</u>
(830,000)	(375,000)	(3,867,500)
630,000	483,000	4,333,500
28,019	4,865	76,562
<u>(171,981)</u>	<u>112,865</u>	<u>542,562</u>
(148,591)	(60,173)	(9,924)
304,845	206,943	577,570
<u>\$ 156,254</u>	<u>\$ 146,770</u>	<u>\$ 567,646</u>

continued

CITY OF ORANGE CITY, IOWA
 COMBINING STATEMENT OF CASH FLOWS (Continued)
 Proprietary Funds
 For the Year Ended June 30, 2005

	Business Type Activities	
	Electric Utility	Water Utility
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Operating Income	\$ 551,175	\$ 208,692
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	411,417	199,476
Other Non-Operating Income	38,762	32,764
Other Non-Operating Expenses	(99,651)	
(Increase) Decrease in Assets:		
Accounts Receivable	28,060	(14,851)
Other	(25,212)	(4,294)
Inventories	(113,990)	(1,065)
Prepaid Expenses	(2,012)	(2,262)
Increase (Decrease) in Liabilities		
Accounts Payable	(73,996)	(64,063)
Accrued Wages and Compensated Absences	9,663	3,719
Accrued Expenses	8,051	3,151
Customer Deposits	3,444	13,821
Total Adjustments	184,536	166,396
Net Cash Provided by Operating Activities	\$ 735,711	\$ 375,088
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets		
Cash and Cash Equivalents	187,465	76,768
Revenue Bond Current Debt Service	389	
Total Cash and Cash Equivalents	\$ 187,854	\$ 76,768

See Accompanying Notes to Financial Statements

Business Type Activities		
Sewer Utility	Gas Utility	Total
\$ 118,934	\$ 149,246	\$ 1,028,047
167,531	59,039	837,463
8,588	1,292	81,406
		(99,651)
(4,147)	(22,038)	(12,976)
45	8,314	(21,147)
	(2,818)	(117,873)
(431)	282	(4,423)
(5,137)	(125,875)	(269,071)
4,879	3,852	22,113
1,297	2,077	14,576
	2,284	19,549
172,625	(73,591)	449,966
\$ 291,559	\$ 75,655	\$ 1,478,013
156,254	146,770	567,257
		389
\$ 156,254	\$ 146,770	\$ 567,646

CITY OF ORANGE CITY, IOWA
STATEMENT OF FIDUCIARY NET ASSETS
Agency Funds
June 30, 2005

ASSETS

Cash and Cash Equivalents	\$	95,913
---------------------------	----	--------

Total Assets		95,913
--------------	--	--------

LIABILITIES

Accounts Payable		26,125
------------------	--	--------

Due to Bond Holders		69,788
---------------------	--	--------

Total Liabilities		95,913
-------------------	--	--------

NET ASSETS

Unrestricted		-
--------------	--	---

Total Net Assets	\$	-
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See Accompanying Notes to Financial Statements

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2005

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Orange City, Iowa is a political subdivision of the State of Iowa located in Sioux County, and was incorporated in 1884, under the laws of the State of Iowa, later amended in 1974 under the Home Rule City Act. The City operates under a Council-Manager form of government and administers the following programs as authorized by its charter: public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides electric, water, sewer and gas utilities.

The City's financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The City applies only the applicable FASB pronouncements issued prior to November 30, 1989 in accounting and reporting its proprietary operations. The more significant accounting policies established in GAAP and used by the City are discussed below.

A. Reporting Entity

For financial reporting purposes, the City of Orange City, Iowa, has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

These financial statements present the City of Orange City, Iowa (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City. Complete financial statements of the individual component unit, which issued separate financial statements as noted below, can be obtained from its respective administrative office.

Discretely Presented Component Unit - The Orange City Municipal Hospital's financial data is reported in a separate column to emphasize that it is legally separate from the City, but is financially accountable to the City. Orange City Area Health Foundation is a component unit of the Orange City Municipal Hospital, so the Foundation's financial data is combined with the Hospital's financial data.

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2005

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Jointly Governed Organizations - The City also participates in several jointly governed organizations for which the City is not financially accountable or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete. City officials are members of the following Boards and Commissions: Sioux County Conference Board, Sioux County Emergency Management Commission, and Sioux County Joint E911 Service Board.

B. Basic Financial Statements-Government-Wide Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's general, special revenue, debt service, capital projects and permanent funds are classified as governmental activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts: invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City first uses restricted resources to finance qualifying activities.

The Government-wide Statement of Activities reports both the gross and net cost of each of the City's functions (public safety, public works, health and social services, culture and recreation, community and economic development, general government, etc.) and business-type activities. The functions are also supported by general government expenses (including depreciation) by related program revenue, operating grants, and capital grants. Program revenue must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. The City does not allocate indirect costs.

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year activities.

C. Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues or receipts, and expenditures or expenses, as appropriate. Government resources are allocated to, and accounted for, in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled.

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2005

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. GASB No. 34 sets forth minimum criteria for the determination of major funds. The City electively added funds, as major funds, which had a specific community focus. The non-major funds are combined into a single column in the fund financial statements.

The City reports the following major governmental funds:

Governmental Fund Types – The governmental fund financial statements are reported using the current financial resources measurement focus. This means that the focus of the governmental funds' measurement is upon the determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income. The following is a description of the major governmental funds of the City:

- 1) General Fund – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The sources of revenue include property taxes, charges for services, fines and fees, licenses and permits, as well as state and federal grants. The expenditures of the General Fund relate to general administration, police and fire protection, maintenance of public streets, economic development, and culture and recreation.

- 2) Special Revenue Funds

The Road Use Tax Fund is used to account for the operation of street maintenance and construction financed by allocations of state fuel taxes.

The Local Option Sales Tax Fund is used to account for the collection of a 1% local option sales tax to be expended for Capital Improvement/Community Betterment Projects.

- 3) Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

- 4) Capital Project Fund – Hospital Project – Is used to account for the construction of the new hospital.

Proprietary Fund Types – The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. Operating revenues and expenses are distinguished from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of enterprise funds are charges to customers for services. Operating expenses consist of cost of sales and services, administrative expenses and depreciation on capital assets. The U.S. generally accepted accounting principles used are those applicable to similar businesses in the private sector.

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2005

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

- 1) Enterprise Funds – Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis should be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City maintains several business-type activities. The major enterprise funds are listed as follows:

The Electric Fund is used to account for the operation and maintenance of the City's electric systems.

The Water Fund is used to account for the operation and maintenance of the City's water system.

The Sewer Fund is used to account for the operation and maintenance of the City's sewer system.

The Gas Fund is used to account for the operation and maintenance of the City's gas system.

Fiduciary Fund Types – Fiduciary funds are used to report assets held in an agency or custodial capacity for others and therefore not available to support City programs. Since agency funds are custodial in nature, they do not involve the measurement of results of operations and are not incorporated into the government-wide financial statements. The City's agency funds include the payroll clearing fund and the puddlejumper trail special assessment fund to account for repayment of special assessment bonds with no governmental commitment.

D. Basis of Accounting

Basis of accounting refers to the point at which revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

Accrual basis of accounting is used for all activities in the government-wide financial statements and for the proprietary and fiduciary activities in the fund financial statements. Revenues are recognized when earned and expenses are recognized when incurred.

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2005

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Modified accrual basis of accounting is used by all governmental funds in the fund financial statements. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers property taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for revenue recognition for all other governmental fund revenues.

Expenditures are recorded when the related fund liability is incurred. An exception to this general rule is that principal and interest on general obligation debt, if any, is recognized when due.

Those revenues susceptible to accrual are property taxes, assessments, and intergovernmental revenues. Licenses, fines and permits are not susceptible to accrual because generally they are not measurable until received in cash.

E. Budgets

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements exceeded the amount budgeted in the debt service and capital projects functions.

F. Cash And Cash Equivalents And Investments

The City is authorized by statute to invest public funds not currently needed for operating expenses in notes, certificates, bonds, prime eligible bankers acceptances, certain high rated commercial paper, perfected repurchase agreements, or other evidences of indebtedness which are obligations of or guaranteed by the United States of America or any of its agencies, or in time deposits or savings accounts in depositories approved by the City Council.

1) Cash and Cash Equivalents

Includes demand deposits, cash on hand and cash investments with original maturities of three months or less.

2) Investments

The City and its component unit use the following methods in determining the reported amounts.

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2005

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

<u>City</u>	<u>Type</u>	<u>Method</u>
Nonnegotiable Certificates of Deposit		Cost
Iowa Public Agency Investment Trust		Fair Value determined by current share price
<u>Component Unit</u>		
Interest-earning investment contracts		
Nonnegotiable certificates of deposit		Cost
Open-end mutual funds		
(governmental external investment pool registered		
As an investment company)		Fair Value determined by current share price
Publicly traded mutual funds		Fair Value based on quoted market prices
Debt Securities		
Negotiable certificates of deposit and U.S. Government		
Agency Securities		
Maturity of one year or less when purchased		Amortized cost
Maturity to more than one year when purchased		Fair Value based on quoted Market prices

G. Property Tax Receivable

Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the City Council to the County Board of Supervisors. Current year delinquent property taxes receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the City Council to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City Council is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2004. Any county collections on the 2004-20045 tax levy remitted to the City within 60 days subsequent to June 30, 2005, are recorded as property tax revenue.

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2005

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

H. Short-Term Interfund Receivables/Payables

During the course of its operations, the City has numerous transactions between funds to finance operations, provide services, construct assets, and service debt. To the extent that certain transactions between funds have not been paid or received as of June 30, 2005, balances of interfund amounts payable or receivable have been recorded as "due to other funds" and "due from other funds", respectively. Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as interfund balances.

I. Inventories

Inventories of governmental funds are valued at cost using FIFO while those of enterprise funds are valued using the average cost method. For fund level reporting, the cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories in the governmental funds are equally offset by a fund balance reserve which indicates they do not constitute available spendable resources even though they are a component of net current assets. Inventory of the discretely presented component unit is valued at cost using FIFO.

J. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2005 are recorded as prepaid items.

K. Restricted Assets

Revenue bond ordinances require the City to reserve certain cash and investments to provide for payment of bonds and interest, for protection of bondholders, and for extension and improvement of facilities. These balances are separately disclosed in the Enterprise Funds. Other restricted assets include temporary cash investments for the perpetual care fund.

L. Property and Equipment

Assets with an initial individual cost of \$5,000 or more are considered capital assets. Property and equipment are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed assets are reported at their fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Infrastructure has been capitalized using historical or estimated historical cost of \$25,000 or more beginning in 1980 as required by GASB 34. Depreciation on all assets is provided on the straight-line basis over the following estimated lives:

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2005

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Buildings & Improvements	25 – 50 Years
Land Improvements	20 – 50 Years
Utility Plant	20 – 33 Years
Machinery & Equipment	3 – 20 Years
Vehicles	5 – 20 Years
Infrastructure	10 – 65 Years

M. Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2005. The compensated absences liability attributable to the governmental activities will be paid by the General Fund.

N. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the government-wide financial statements. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

O. Fund Equity

Reserves represent those portions of fund equity legally segregated for a specific future use.

P. Interfund Transactions

Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except interfund services provided and used transactions and reimbursements, are reported as transfers.

Q. Landfill Closure Costs

The City does not operate a sanitary landfill; therefore, no closure/post closure costs are included in these statements.

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2005

Note 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS

The City's deposits at June 30, 2005, were entirely covered by Federal Depository Insurance collateralized with securities or letters of credit held by the City or the City's agency in the City's name, or by a multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. Chapter 12C provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligation of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; and certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The primary government has no investments at June 30, 2005.

Component Unit:

The Hospital's investments, except the mutual funds, are insured or registered or for which the securities are held by the Hospital or its agent in the Hospital's name. The mutual fund investments are uninsured and unregistered, with securities held by the counter party or by its trust department or agent, but not in the Hospital's name. All investments listed below, except the U.S. Government agency securities, are subject to custodial credit risk. The Hospital does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates (interest rate risk).

As of June 30, 2005, the Hospital's investments are reported at a fair value based upon quoted market prices except for the Iowa Public Agency Investment Trust which is valued at amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940 as follows:

	<u>Maturities</u>	
Investments		
Edward D. Jones & Co., money market funds	Daily	\$ 12,177
Negotiable certificates of deposit	11/30/05-05/05/08	201,573
U.S. Government agency securities	05/27/09-11/01/31	125,101
Mutual funds	Daily	926,417
Iowa Public Agency Investment Trust	Daily	<u>677,611</u>
Totals		<u>\$ 1,942,879</u>

The primary objectives of the Hospital's investment policy include the safety and preservation of principal in the overall investment portfolio, the maintenance of necessary liquidity to match expected liabilities, and obtaining a reasonable return. The investment policy limits the investing of operating funds to instruments that mature within three hundred ninety-seven days. Funds not identified as operating funds may be invested in investments with maturities longer than three hundred ninety-seven days, provided that the maturities shall be consistent with the needs and use of the Hospital.

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2005

Note 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS – (Continued)

There were no significant changes in investments held during the fiscal year ended June 30, 2005.

Note 3 - PLEDGES RECEIVABLES

At June 30, 2005, the component unit's Foundation pledges receivable consisted of pledges restricted for the building of a new health campus and are discounted at 3.95%. An allowance has been established to offset future uncollectible pledges and has been estimated by management to be \$350,000 as of June 30, 2005.

A summary of the activity in pledges receivable for the year ended June 30, 2005 is as follows:

Beginning pledges receivable	\$3,011,630
Pledges made during the year	656,328
Pledge payments received	(1,156,976)
Discount of future payments receivable	55,000
Allowance for uncollectible pledges receivable	(150,000)
Total	<u>\$2,415,982</u>

Pledges receivable at June 30, 2005, are expected to be received as follows:

Year Ending June 30	
2006	\$ 997,144
2007	997,144
2008	997,144
	<u>2,991,432</u>
Less allowance and discounts on pledges receivable	(575,450)
Total	<u>\$ 2,415,982</u>

Note 4 - DUE FROM OTHER GOVERNMENTS

At June 30, 2005, amounts due from other governments were as follows:

Due from the Iowa Department of Transportation for road use tax allocations	\$ 36,845
Due from the State of Iowa for local option sales taxes	69,416
Due from the State of Iowa for liquor license	617
Due from the State of Iowa for sales tax refund on the water plant capital project	142,990
Due from the Sioux County Clerk of Court for local fines	532
Total Due from Other Governments	<u>\$ 250,400</u>

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2005

Note 5 - INTERFUND RECEIVABLES AND PAYABLES

As of June 30, 2005, short-term interfund borrowings were as follows:

<u>Fund Due To</u>	<u>Fund Due From</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 444,076
Road Use Tax Fund	Nonmajor Governmental Funds	177,309
Local Option Sales Tax Fund	Nonmajor Governmental Funds	303,301
Proprietary Fund – Sewer	Proprietary Fund – Gas	151,918
		<u>\$ 1,076,604</u>

As of June 30, 2005 long-term advances were as follows:

<u>Fund Due To</u>	<u>Fund Due From</u>	<u>Amount</u>
Proprietary Fund – Sewer	Nonmajor Governmental Funds	\$ 61,195
Proprietary Fund – Water	Nonmajor Governmental Funds	28,172
		<u>\$ 89,367</u>

Interfund receivables and payables and long-term advances are used to record negative pooled cash and to record money advanced to internally finance various projects.

Note 6 - CAPITAL ASSETS

A summary of changes in capital assets is as follows:

Primary Government

	<u>Balance</u> <u>July 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2005</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 809,448	-	-	\$ 809,448
Construction in Progress	364,601	\$ 1,457,586	\$ 358,408	1,463,779
Total capital assets not being depreciated	<u>1,174,049</u>	<u>1,457,586</u>	<u>358,408</u>	<u>2,273,227</u>
Capital assets being depreciated:				
Buildings	4,389,684	15,935	-	4,405,619
Improvements	1,071,995	7,241	-	1,079,236
Equipment	1,520,775	65,657	30,130	1,556,302
Infrastructure	27,096,076	494,334	-	27,590,410
Total capital assets being depreciated	<u>\$ 34,078,530</u>	<u>\$ 583,167</u>	<u>\$ 30,130</u>	<u>\$ 34,631,567</u>

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2005

Note 6 - CAPITAL ASSETS – (Continued)

Primary Government	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
Less: Accumulated Depreciation for:				
Buildings	\$ 1,961,455	\$ 148,174	-	\$ 4,405,619
Improvements	898,773	13,242	-	912,015
Equipment	1,019,185	83,777	\$ 25,130	1,077,832
Infrastructure	17,726,318	863,659	-	18,589,977
Total Accumulated Depreciation	21,605,731	1,108,852	25,130	22,689,453
Total capital assets being depreciated, net	12,472,799	(525,685)	5,000	11,942,114
Governmental activities capital assets, net	\$ 13,646,848	\$ 931,901	\$ 363,408	\$ 14,215,341

Construction in progress at June 30, 2005, for the governmental activities consisted of costs associated with several street projects.

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 298,316	\$ 41,600	-	\$ 339,916
Construction in Progress	4,063,523	222,539	\$ 4,286,062	-
Total capital assets not being depreciated	4,361,839	264,139	4,286,062	339,916
Capital assets being depreciated:				
Buildings	1,192,364	2,115,294	-	3,307,658
Improvements	80,560	-	-	80,560
Equipment	1,999,987	246,228	-	2,246,215
Utility Plant	19,809,781	2,745,609	-	22,555,390
Total capital assets being depreciated	23,082,692	5,107,131	-	28,189,823
Less: Accumulated Depreciation	11,023,450	837,463	-	11,860,913
Total capital assets being depreciated, net	12,059,242	4,269,668	-	16,328,910
Business-type activities capital assets, net	\$ 16,421,081	\$ 4,533,807	\$ 4,286,062	\$ 16,668,826

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
Public Safety	\$ 42,807
Public Works	910,963
Culture and Recreation	135,241
General Government	19,841
Total depreciation expense – governmental activities	<u>\$ 1,108,852</u>

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2005

Note 6 - CAPITAL ASSETS – (Continued)

Business-Type Activities:

Electric	\$ 411,417
Water	199,476
Sewer	167,531
Gas	59,039
	<u>837,463</u>

Total depreciation expense – business-type activities \$ 837,463

A summary of changes in capital assets for the discretely presented component unit is as follows:

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
Component Unit:				
Capital assets not being depreciated:				
Land	\$ 798,424	\$50,000	-	\$ 848,424
Construction in Progress	1,916,308	13,306,161	-	15,222,469
Total capital assets not being depreciated	<u>2,714,732</u>	<u>13,356,161</u>	<u>-</u>	<u>16,070,893</u>
Capital assets being depreciated:				
Land Improvements	329,019	-	-	329,019
Buildings	10,533,272	330,969	-	10,864,241
Fixed Equipment	3,378,212	-	-	3,378,212
Major Movable Equipment	6,547,619	728,364	-	7,275,983
Total capital assets being depreciated	<u>20,788,122</u>	<u>1,059,333</u>	<u>-</u>	<u>21,847,455</u>
Less: Accumulated Depreciation	10,216,801	1,136,900	-	11,353,701
Total capital assets being depreciated, net	<u>10,571,321</u>	<u>(77,567)</u>	<u>-</u>	<u>10,493,754</u>
Component unit capital assets, net	<u>\$ 13,286,053</u>	<u>13,278,594</u>	<u>-</u>	<u>\$ 26,564,647</u>

Reconciliation of Investment in Capital Assets:

	Governmental Activities	Business-Type Activities	Component Unit
Land	\$ 809,448	\$339,916	\$ 848,424
Construction in Progress	1,463,779	-	15,222,469
Capital Assets (net of accumulated depreciation)	11,942,114	16,328,910	10,493,754
Less: General Obligation Bonds Payable	7,470,000	-	-
Notes Payable	-	-	6,500,000
Revenue Bonds	-	7,425,000	4,025,000
Capital Lease	-	-	11,413
Investment in Capital Assets, Net of Related Debt	<u>\$ 6,745,341</u>	<u>\$9,243,826</u>	<u>\$ 16,028,234</u>

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2005

Note 7 - LONG-TERM DEBT

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and projects. General obligation bonds have been issued for governmental activities. These bonds are direct obligations and pledge the full faith and credit of the City.

The City issued two new bonds during 2005:

On December 21, 2004, the City sold \$300,000 general obligation capital loan notes with interest rates ranging from 2.40% to 4.00% and an average life of 5 years. The bonds were sold to Ruan Securities for \$293,867 and the proceeds were used to finance the 2004 Street Improvement Project.

On December 21, 2004, the City sold \$3,500,000 general obligation capital loan notes with interest rates ranging from 2.40% to 4.95% and an average life of 10.04 years. The bonds were sold to Ruan Securities for \$3,446,369 and the proceeds were used to finance the Hospital Expansion Project.

On July 1, 2005, the City sold \$295,000 general obligation refunding capital loan notes to advance refund the general obligation notes dated May 1, 1995. The notes have interest rates ranging from 2.20% to 3.45% with an average life of 4 years. The notes were sold to Ruan Securities for \$289,743. The advance refunding will save approximately \$14,000 in debt service expenditures.

General obligation bonds outstanding as of June 30, 2005 are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amounts</u>
Governmental Activities	1.45-6.10%	\$ 6,970,000
Governmental Activities – Refunding	2.40-3.50%	500,000
		<u>\$ 7,470,000</u>

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2005

Note 7 - LONG-TERM DEBT - (Continued)

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2006	\$ 695,000	\$ 366,495	\$ 1,061,495
2007	780,000	273,228	1,053,228
2008	775,000	246,006	1,021,006
2009	620,000	217,966	837,966
2010	570,000	193,880	763,880
2011-2015	1,720,000	715,511	2,435,511
2016-2020	1,320,000	402,383	1,722,383
2021-2024	990,000	123,068	1,113,068
Total	<u>\$ 7,470,000</u>	<u>\$ 2,538,537</u>	<u>\$ 10,008,537</u>

Revenue Bonds

The City also has issued revenue bonds where the City pledges income derived from the acquired or constructed asset to pay debt service.

The City issued no new revenue bonds during 2005:

Revenue bonds outstanding at June 30, 2005 are as follows:

Primary Government

Purpose	Interest Rates	Amounts
Electric Revenue Bonds	1.50-4.50%	\$ 2,005,000
Water Revenue Bonds	1.60-5.10%	2,670,000
Sewer Revenue Bonds	4.45-5.30%	1,000,000
Sewer Refunding	2.50-3.30%	170,000
Gas Revenue Bonds	1.75-4.80%	1,580,000
		<u>\$ 7,425,000</u>

Component Unit

Purpose	Interest Rates	Amounts
Hospital/Component Unit	4.80-6.00%	\$ 300,000
Hospital/Component Unit	4.80-6.00%	3,645,000
Hospital/Component Unit	4.40-5.00%	80,000
Hospital/Component Unit	7.00%	6,500,000
		<u>\$ 10,525,000</u>

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2005

Note 7 - LONG-TERM DEBT – (Continued)

Revenue bond debt service requirements to maturity are as follows:

Year Ending June 30,	Business-Type Activities					Total
	Electric Principal	Water Principal	Sewer Principal	Gas Principal	Interest	
2006	\$ 120,000	\$ 145,000	\$ 170,000	\$ 80,000	\$ 289,985	\$ 804,985
2007	120,000	150,000	90,000	85,000	277,180	722,180
2008	120,000	155,000	95,000	85,000	264,519	719,519
2009	125,000	160,000	100,000	90,000	250,193	725,193
2010	130,000	105,000	105,000	90,000	234,996	664,996
2011-2015	710,000	570,000	610,000	515,000	910,512	3,315,512
2016-2020	680,000	700,000		635,000	405,896	2,420,896
2021-2024		685,000			70,866	755,866
Total	\$ 2,005,000	\$ 2,670,000	\$ 1,170,000	\$ 1,580,000	\$ 2,704,147	\$ 10,129,147

Year Ending June 30,	Component Unit Activities		Total
	Principal	Interest	
2006	\$ 60,000	\$ 226,973	\$ 826,973
2007	412,964	925,896	1,338,860
2008	524,456	1,265,945	1,790,401
2009	555,220	1,236,829	1,792,049
2010	586,873	1,205,876	1,792,749
2011-2015	3,463,950	5,495,052	8,959,002
2016-2020	3,216,093	4,458,690	7,674,783
2021-2024	1,165,444	1,552,559	2,718,003
Total	\$ 10,525,000	\$ 16,367,820	\$ 26,892,820

Advance and Current Refundings

In October 2002, the City issued \$1,655,000 in sewer revenue bonds with interest rates ranging from 2.50% to 3.30% to refund the 1992 sewer revenue bonds with interest rates ranging from 3.80% to 6.10%. The City refunded the debt to reduce its total debt service payments over the next three years by \$28,053 and to obtain an economic gain of \$9,000.

In November 2002, the City issued \$940,000 in General Obligation Capital Loan Notes with interest rates ranging from 2.40% to 3.50% to refund the 1993 General Obligation Capital Loan Notes with interest rates ranging from 2.80% to 5.60%. The City refunded the debt to reduce its total debt service payments over the next six years by \$46,921 and to obtain an economic gain of \$1,400.

In July 2004 the City issued \$295,000 in general obligation capital loan notes with interest rates ranging from 2.20% to 3.45% to refund the 1995 general obligation capital loan notes with interest rates ranging from 4.80% to 6.10%. The City refunded the debt to reduce its total debt service payments for the next 6 years by approximately \$14,000 and obtain an economic gain of \$3,000.

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2005

Note 7 - LONG-TERM DEBT – (Continued)

Changes in Long-Term Liabilities

Long-Term liability activity for the year ended June 30, 2005, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds	\$ 4,155,000	\$ 4,095,000	\$ 780,000	\$ 7,470,000	\$ 695,000
Compensated Absences	76,202	19,989	-	96,191	54,639
Governmental Activity Long-Term Liabilities	4,231,202	4,114,989	780,000	7,566,191	749,639
Business-Type Activities:					
Bonds Payable:					
Revenue Bonds	7,930,000	-	505,000	7,425,000	515,000
Compensated Absences	56,969	22,113	-	79,082	79,082
Business-Type Activity Long-Term Liabilities	7,986,969	22,113	505,000	7,504,082	594,082
Component Unit:					
Bonds Payable:					
Revenue Bonds	4,595,000	6,500,000	623,934	10,471,066	600,000
Compensated Absences	1,405,510	-	479,093	926,417	-
Total Bonds Payable	6,000,510	6,500,000	1,103,027	11,397,483	600,000
Capital Lease Obligations	65,347	-	53,934	11,413	11,413
Component Unit Long-Term Liabilities	\$ 6,065,857	\$ 6,500,000	\$ 1,156,961	\$ 11,408,896	\$ 611,413

Note 8 - CAPITAL LEASES

The component unit has entered into an agreement to acquire an ambulance under capital leases. The related liability under the lease at June 30, 2005 is \$12,085, net of unamortized interest of \$672. The obligation under the lease, calls for monthly installments of \$1,564, through February, 2006, including interest at a rate of 5.90%. The total amount capitalized under the lease is \$79,183 with related accumulated amortization of \$68,933 at June 30, 2005.

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2005

Note 9 - TRANSFERS

The following is a summary of transfers between funds:

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Nonmajor Governmental</u>	<u>Total Transfers Out</u>
Road Use Tax	\$ 350,000	\$ 136,273	\$ 486,273
Local Option Sales Tax	425,976	-	425,976
Water	15,000	-	15,000
Sewer	15,000	-	15,000
Electric	184,426	-	184,426
Gas	6,500	-	6,500
Total Transfers In	<u>\$ 996,902</u>	<u>\$ 136,273</u>	<u>\$1,133,175</u>

Transfers are used to:

1. Move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.
2. Use unrestricted revenues collected in proprietary funds to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Note 10 - PENSION AND RETIREMENT

Iowa Public Employees Retirement System - The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70 percent of their annual covered salary and the City is required to contribute 5.75 percent of annual covered payroll except for, police and fire employees, in which case, the percentages are 5.93 percent and 8.90 percent, respectively, and law employees who are covered by another plan. Contribution requirements are established by state statute. The City contribution to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$86,645, \$85,349, and \$82,001, respectively, equal to the required contributions for each year.

In addition, the component unit contribution to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$630,569, \$588,124, and \$554,799, respectively, equal to the required contributions for each year.

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2005

Note 11 - MAJOR CUSTOMER

During the year ended June 30, 2005, electric, water, sewer, and gas charges for services provided by the City to Advanced Brands, Inc. were \$994,347, \$127,970, \$167,026 and \$1,079,425, respectively. This represents 21%, 16%, 31% and 32%, respectively, of total charges for services. Charges for services provided by the electric utility of the City to American Identity, Inc. was \$279,960, which represents 6% of total charges for services.

Note 12 - RESERVES

The following schedule reflects all reservations of fund balances as presented in the fund level statements:

	Inventories	Debt Service	Endowments	Total
Special Revenue				
Road Use Tax	\$ 14,833	-	-	\$ 14,833
Debt Service	-	\$ 34,407	-	34,407
Permanent Fund				
Cemetery Perpetual Care	-	-	\$ 70,240	70,240
Total Reserves of Fund Balances	\$ 14,833	\$ 34,407	\$ 70,240	\$ 119,480

Note 13 - DEFICIT FUND EQUITY

The City has seven funds with deficit equity balances at June 30, 2005. The City intends to finance these deficits from various resources including; road use tax funds, general funds, special assessments, water fund reserves, and capital project debt financing.

The individual fund deficits were as follows:

Special Revenue – TIF	\$50,092
Capital Project – Park Improvements.....	5,289
Capital Project – Puddlejumper 3 rd Addition.....	348,962
Capital Project – Industrial Park Improvements	278,988
Capital Project – 14 th Street Expansion.....	466,946
Capital Project – Hospital Street Expansion.....	372,466
Capital Project – Highway 10 Widening	47,960

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2005

Note 14 - RISK FINANCING

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. During the 2004-2005 fiscal year the City has elected to purchase commercial insurance to cover against the risk of loss. There have been no reductions in insurance coverage from prior years, nor were there settlements in excess of insurance coverage the last three years.

Note 15 - COMMITMENTS

During the year ended June 30, 2005, the City had entered into several construction contracts totaling approximately \$2,400,000 of which approximately \$1,150,000 has been expended to date. The remaining balance will be paid as work progresses.

Note 16 - INVESTMENT IN JOINT VENTURE

The City is a participant in the Missouri Basin Municipal Electric Cooperative Association, a joint venture for the construction and maintenance of power lines from the Northwest Iowa Power Cooperative to the City Limits. The construction of the lines is accomplished by NIPCO and there are no actual dedicated lines, but rather an agreement which guarantees the municipalities the right to draw power over the lines at a raw power cost without transmission charges. The City owns a 27.23 percent share of the venture with twelve other cities sharing in the ownership at varying percentages. The City's investment in the joint venture is accounted for by the equity method in the Electric Fund.

Summary financial information of the joint venture for the year ended December 31, 2004 follows:

	<u>Total</u>
Assets	<u>\$7,916,247</u>
Liabilities	305,664
Equity	<u>7,610,583</u>
	<u>7,916,247</u>
Revenues	1,052,351
Expenses	<u>1,110,047</u>
Net (Decrease) in Equity	<u>\$ (57,696)</u>

The joint venture has no outstanding debt. Separately issued financial statements for the joint venture can be obtained directly from the MBMECA administrative offices.

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2005

Note 16 - INVESTMENT IN JOINT VENTURE – (Continued)

The City is a participant in the Orange City Communications, a joint venture for the construction and maintenance of a high-speed data internet and telecommunications system. The City owns 33.3 percent share of the venture with Northwest Rural Electric Cooperative, and Long Lines Limited, Inc. sharing equally in the ownership. Summary financial information of the joint venture for the year ended June 30, 2004 (the last information available) is as follows:

	<u>Total</u>
Assets	<u>\$4,031,909</u>
Liabilities	2,972,407
Equity	1,059,502
	<u>4,031,909</u>
Revenues.....	644,420
Expenses	708,830
Net (Decrease) in Equity	<u>\$ (64,410)</u>

Note 17 - CONDUIT DEBT OBLIGATIONS

The City has issued Private College Revenue Bonds to provide financial assistance for the acquisition, construction, equipping and furnishing of a three-story women's residence hall to accommodate approximately 204 students. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the non-profit corporation entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 2005, the Private College Revenue Bonds outstanding have an aggregate principal amount payable of \$350,000.

Note 18 - SPECIAL ASSESSMENT DEBT OBLIGATION

The City administered the issuance of special assessment bonds in 2002 to provide funds for the Puddlejumper View Addition. The amount outstanding is \$118,000. The government is in no way liable for repayment of this debt and is only acting as an agent for the property owners in collecting the assessments, forwarding the collections to bondholders, and initiating foreclosure proceedings.

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2005

Note 19 - SUBSEQUENT EVENTS

Component Unit

The Board of Directors of the Orange City Area Health Foundation voted to approve the construction of a Medical Office Building on July 27, 2005. The total cost of the construction project is \$2,100,000 and will be financed with long-term debt and Foundation funds. The USDA has issued a conditional commitment to guarantee 80% of the \$1,750,000 loan. The project is expected to be completed by June 2006.

Note 20 - PRIOR PERIOD ADJUSTMENT

During the fiscal year ended June 30, 2004, the water utility advanced \$28,172 to the TIF fund. This advance was inadvertently left off the financial statement at June 30, 2004. This error was corrected during the year ended June 30, 2005 with the following effect on beginning fund equity.

	<u>TIF Fund</u>	<u>Water Fund</u>
Beginning Fund Equity as previously reported	\$ (171,115)	\$ 3,958,018
Prior Period Adjustment	(28,172)	28,172
Beginning Fund Equity-restated	<u>\$ (199,287)</u>	<u>\$ 3,986,190</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ORANGE CITY, IOWA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE, BUDGET
AND ACTUAL, GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS - GAAP BASIS
Year Ended June 30, 2005

	General Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Amended		
Revenue:				
Taxes	\$ 917,909	\$ 917,909	\$ 937,012	\$ 19,103
Licenses and Permits	3,825	3,825	4,570	745
Intergovernmental	131,237	159,737	231,934	72,197
Charges for Services	262,100	262,100	320,412	58,312
Fines and Forfeits	-	-	28,854	28,854
Contributions from Property Owners	10,000	10,000	34,793	24,793
TIF Revenue	-	-	-	-
Local Option Sales Tax	-	-	-	-
Proceeds from Sale of Real Estate	-	-	-	-
Interest	36,650	36,650	20,139	(16,511)
Miscellaneous	53,500	66,500	73,883	7,383
Total Revenue	1,415,221	1,456,721	1,651,597	194,876
Expenditures:				
Public Safety	566,944	584,944	536,420	48,524
Public Works	672,321	710,321	616,102	94,219
Culture and Recreation	742,948	799,948	798,874	1,074
Community and Economic Development	64,749	64,749	57,082	7,667
General Government	455,512	455,512	413,772	41,740
Total Expenditures	2,502,474	2,615,474	2,422,250	193,224
Excess (deficiency) of revenues over expenditures	(1,087,253)	(1,158,753)	(770,653)	388,100
Other financing sources (uses):				
Interfund Transfers In	919,500	919,500	996,902	77,402
Interfund Transfers Out	-	-	-	-
Total other financing sources (uses)	919,500	919,500	996,902	77,402
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	\$ (167,753)	\$ (239,253)	226,249	\$ 465,502
Fund balances-beginning of year			872,926	
Increase/(Decrease) in Reserve for Inventory			-	
Fund balances- end of year			\$ 1,099,175	

Road Use Tax				Local Option Sales Tax			
Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
Original	Amended			Original	Amended		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
425,000	-	464,512	464,512	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	302,160	302,160	424,715	122,555
-	-	-	-	-	-	1,428	1,428
-	-	-	-	-	-	-	-
425,000	-	464,512	464,512	302,160	302,160	426,143	123,983
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	115,000	115,000	-	115,000
-	-	-	-	-	-	-	-
-	-	-	-	115,000	115,000	-	115,000
425,000	-	464,512	464,512	187,160	187,160	426,143	238,983
-	-	-	-	-	-	-	-
(400,000)	(400,000)	(486,273)	(86,273)	(425,000)	(425,000)	(425,976)	(976)
(400,000)	(400,000)	(486,273)	(86,273)	(425,000)	(425,000)	(425,976)	(976)
\$ 25,000	\$ (400,000)	(21,761)	\$ 378,239	\$ (237,840)	\$ (237,840)	167	\$ 238,007
		308,562				469,027	
		(204)				-	
		\$ 286,597				\$ 469,194	

CITY OF ORANGE CITY, IOWA
Notes to Required Supplementary Information
June 30, 2005

The City's legal compliance for budget to actual comparison is specified in Chapter 384.16 of the Code of Iowa and is for expenditures by program/function. The City budgets on a modified accrual basis. The legal level of control is at the aggregated function level, not at the fund or fund type level. Budgets are prepared on a program basis for all funds except the agency funds.

During the fiscal year 2005, the City held public hearings and amended the operating budget once. The amendment is as follows:

<u>Program</u>	<u>Original Budget</u>	<u>5/16/05 Amendment</u>	<u>Amended Budget</u>
Public Safety	\$ 566,944	\$ 18,000	\$ 584,944
Public Works	672,321	38,000	710,321
Culture & Recreation	742,948	57,000	799,948
Community & Economic Development	179,749	-	179,749
General Government	455,512	-	455,512
Debt Service	659,416	-	659,416
Capital Projects	600,000	4,176,126	4,776,126
Business Type/Enterprise	33,578,421	250,000	33,828,421
Total	<u>\$ 37,455,311</u>	<u>\$4,539,126</u>	<u>\$ 41,994,437</u>

The following schedule demonstrates the City's legal compliance to the budget and includes the component unit.

<u>Program</u>	<u>Amended Budget</u>	<u>Actual (Accrual Basis)</u>	<u>Variance Favorable (Unfavorable)</u>
Public Safety	\$ 584,944	\$ 536,420	\$ 48,524
Public Works	710,321	616,102	94,219
Culture & Recreation	799,948	798,874	1,074
Community & Economic Development	179,749	57,082	122,667
General Government	455,512	413,772	41,740
Debt Service	659,416	1,046,210	(386,794)
Capital Projects	4,776,126	5,048,122	(271,996)
Business Type/Enterprise (including Component unit)	33,828,421	33,791,897	36,524
Total	<u>\$41,994,437</u>	<u>\$42,308,479</u>	<u>\$ (314,042)</u>

OTHER SUPPLEMENTARY INFORMATION

CITY OF ORANGE CITY, IOWA
 COMBINING BALANCE SHEET
 Governmental Nonmajor Funds
 JUNE 30, 2005

	Special Revenue		Capital Projects		
	Hotel/Motel Tax	TIF	2004 Street Project	14th Street Expansion	Industrial Park Improvements
Assets					
Cash and Pooled Investments	\$ 12,893	\$ 39,275	\$ -	\$ -	\$ -
Receivables (Net, where applicable, of allowance for uncollectibles)					
Taxes	-	16,700	-	-	-
Restricted Assets, Cash and Investments:					
Temporary Cash Investments	-	-	-	-	-
Total Assets	12,893	55,975	-	-	-
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable	-	-	-	22,870	203,514
Due to Other Funds	-	-	-	444,076	75,474
Unearned Revenue	-	16,700	-	-	-
Advance from Other Funds	-	89,367	-	-	-
Total Liabilities	-	106,067	-	466,946	278,988
Fund Balances:					
Reserved for:					
Perpetual Care	-	-	-	-	-
Unreserved	12,893	(50,092)	-	(466,946)	(278,988)
Total Fund Balances (Deficits)	12,893	(50,092)	-	(466,946)	(278,988)
Total Liabilities and Equity	\$ 12,893	\$ 55,975	\$ -	\$ -	\$ -

Capital Projects				Permanent Fund	Total Governmental Nonmajor Funds
Highway 10 Widening	Puddlejumper 3rd Addition	Park Improvements	Hospital Street Expansion	Cemetery Perpetual Care Fund	
\$ -	\$ -	\$ -	\$ -	\$ -	52,168
-	-	-	-	-	16,700
-	-	-	-	70,240	70,240
-	-	-	-	70,240	139,108
25,886	171,653	5,289	166,713	-	595,925
22,074	177,309	-	205,753	-	924,686
-	-	-	-	-	16,700
-	-	-	-	-	89,367
47,960	348,962	5,289	372,466	-	1,626,678
-	-	-	-	70,240	70,240
(47,960)	(348,962)	(5,289)	(372,466)	-	(1,557,810)
(47,960)	(348,962)	(5,289)	(372,466)	70,240	(1,487,570)
\$ -	\$ -	\$ -	\$ -	\$ 70,240	\$ 139,108

CITY OF ORANGE CITY, IOWA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Governmental Nonmajor Funds
JUNE 30, 2005

	Special Revenue			Capital Projects	
	Hotel/Motel Tax	TIF	2004 Street Project	14th Street Expansion	Industrial Park Improvements
Revenue:					
Special Assessments	\$ -	\$ -	\$ 64,194	\$ -	\$ -
Charges for Services	-	-	-	-	-
TIF Revenue	-	163,965	-	-	-
Local Option Sales Tax	12,893	-	-	-	-
Interest on Investments	-	-	167	-	-
Miscellaneous	-	225	-	-	-
Total Revenue	12,893	164,190	64,361	-	-
Expenditures:					
Capital Projects	-	-	135,926	458,205	258,614
Debt Service:					
Interest	-	14,995	6,300	-	-
Total Expenditures	-	14,995	142,226	458,205	258,614
Excess (deficiency) of revenues over expenditures	12,893	149,195	(77,865)	(458,205)	(258,614)
Other financing sources (uses):					
Issuance of Debt	-	-	300,000	-	-
Transfers In	-	-	136,273	-	-
Total other financing sources (uses)	-	-	436,273	-	-
Net Change in Fund Balance	12,893	149,195	358,408	(458,205)	(258,614)
Fund balances-beginning of year	-	(171,115)	(358,408)	(8,741)	(20,374)
Prior Period Adjustment		(28,172)	-	-	
Fund balances- end of year	\$ 12,893	\$ (50,092)	\$ -	\$ (466,946)	\$ (278,988)

Capital Projects					Permanent Fund	Total Governmental Nonmajor Funds
Highway 10 Widening	Puddlejumper 3rd Addition	Park Improvements	Hospital Street Expansion	Cemetery Perpetual Care Fund		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 64,194	
-	-	-	-	2,240	2,240	
-	-	-	-	-	163,965	
-	-	-	-	-	12,893	
-	-	-	-	-	167	
-	-	-	-	-	225	
-	-	-	-	2,240	243,684	
47,960	321,243	5,289	366,273	-	1,593,510	
-	-	-	-	-	21,295	
47,960	321,243	5,289	366,273	-	1,614,805	
(47,960)	(321,243)	(5,289)	(366,273)	2,240	(1,371,121)	
-	-	-	-	-	300,000	
-	-	-	-	-	136,273	
-	-	-	-	-	436,273	
(47,960)	(321,243)	(5,289)	(366,273)	2,240	(934,848)	
-	(27,719)	-	(6,193)	68,000	(524,550)	
					(28,172)	
\$ (47,960)	\$ (348,962)	\$ (5,289)	\$ (372,466)	\$ 70,240	\$ (1,487,570)	

CITY OF ORANGE CITY, IOWA
 COMBINING STATEMENT OF NET ASSETS
 Agency Funds
 JUNE 30, 2005

	Puddlejumper View Addition	Payroll Clearing	Total
ASSETS			
Cash and Cash Equivalents	\$ 69,788	\$ 26,125	\$ 95,913
Total Assets	<u>69,788</u>	<u>26,125</u>	<u>95,913</u>
LIABILITIES			
Accounts Payable	-	26,125	26,125
Due to Bond Holders	69,788	-	69,788
Total Liabilities	<u>69,788</u>	<u>26,125</u>	<u>95,913</u>
NET ASSETS			
Unrestricted	-	-	-
Total Net Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF ORANGE CITY, IOWA
Combining Statement of Changes in Assets and Liabilities
Agency Funds
Year Ended June 30, 2005

	Balance July 1, 2004	Additions	Deductions	Balance June 30, 2005
<u>PUDDLEJUMPER VIEW ADDITION</u>				
<u>Assets</u>				
Cash and Cash Equivalents	\$ 28,468	\$ 48,320	\$ 7,000	\$ 69,788
Total Assets	28,468	48,320	7,000	69,788
<u>Liabilities</u>				
Due to Bond Holders	28,468	48,320	7,000	69,788
Total Liabilities	\$ 28,468	\$ 48,320	\$ 7,000	\$ 69,788
<u>PAYROLL CLEARING</u>				
<u>Assets</u>				
Cash and Cash Equivalents	\$ 10,585	\$ 371,399	\$ 355,859	\$ 26,125
Accounts Receivable	660		660	-
Total Assets	11,245	371,399	356,519	26,125
<u>Liabilities</u>				
Accounts Payable	11,245	14,880		26,125
Total Liabilities	\$ 11,245	\$ 14,880	\$ -	\$ 26,125
<u>ALL FIDUCIARY FUNDS TOTAL</u>				
<u>Assets</u>				
Cash and Cash Equivalents	\$ 39,053	\$ 419,719	\$ 362,859	\$ 95,913
Accounts Receivable	660	-	660	-
Total Assets	39,713	419,719	363,519	95,913
<u>Liabilities</u>				
Accounts Payable	11,245	14,880	-	26,125
Due to Bond Holders	28,468	48,320	7,000	69,788
Total Liabilities	\$ 39,713	\$ 63,200	\$ 7,000	\$ 95,913

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CITY OF ORANGE CITY, IOWA

TABLE I

**General Governmental Expenditures By Function
General, Special Revenue, and Debt Service Funds
Last Ten Fiscal Years**

YEAR	COMMUNITY PROTECTION/ PUBLIC SAFETY	HUMAN DEVELOPMENT/ CULTURE & REC	HOME & COMM. ENV./ PUBLIC WORKS	COMMUNITY & ECONOMIC DEVELOPMENT	GENERAL ADMIN./ GENERAL GOV'T	DEBT SERVICE	TOTAL
1995-96	\$ 314,246	\$ 480,942	\$ 678,876		\$ 345,821	\$ 327,332	\$ 2,147,217
1996-97	493,423	496,799	719,994		266,636	321,196	2,298,048
1997-98	367,967	527,512	733,927		394,169	378,326	2,401,901
1998-99	413,439	586,394	507,471		398,812	389,542	2,295,658
1999-00	482,036	593,836	565,238		428,233	457,376	2,526,719
2000-01	493,456	646,586	718,103		473,607	458,578	2,790,330
2001-02	558,701	721,484	671,812		408,551	502,215	2,862,763
2002-03	557,292	844,072	593,620	90,525	378,758	1,493,249	3,957,516
2003-04	613,755	1,021,654	632,850	88,712	430,926	640,734	3,428,631
2004-05	\$ 536,420	\$ 798,874	\$ 616,102	\$ 57,082	\$ 413,772	\$ 983,910	\$ 3,406,160

TABLE II

**General Governmental Revenues By Source
General, Special Revenue, and Debt Service Funds
Last Ten Fiscal Years**

YEAR	TAXES	PERMITS AND LICENSES	INTER- GOVERNMENTAL REVENUES	CHARGES FOR SERVICES	FINES AND FORFEITURES	USE OF MONEY AND MISCELLANEOUS	TOTAL
1995-96	\$ 999,831	\$ 2,748	\$ 624,014	\$ 180,045	\$ 12,637	\$ 217,197	\$ 2,036,472
1996-97	1,137,153	3,246	777,615	178,587	14,807	234,583	2,345,991
1997-98	1,135,823	4,085	779,141	196,557	14,982	241,227	2,371,815
1998-99	1,144,338	3,390	951,821	191,302	15,624	518,236	2,824,711
1999-00	1,279,348	3,090	880,347	215,495	12,272	448,291	2,838,843
2000-01	1,346,538	3,260	944,302	240,468	11,245	308,254	2,854,067
2001-02	1,494,782	3,903	1,268,449	245,300	11,106	162,541	3,186,081
2002-03	1,568,136	4,614	1,219,247	260,756	17,213	256,130	3,326,096
2003-04	1,598,367	4,295	1,135,260	266,871	15,218	182,519	3,202,530
2004-05	\$ 1,773,451	\$ 4,570	\$ 1,134,054	\$ 320,412	\$ 28,854	\$ 138,607	\$ 3,399,948

TABLE III

**Property Tax Levies and Collections
Last Ten Fiscal Years**

COLLECTION YEAR	TOTAL TAX LEVY	CURRENT TAX COLLECTIONS	PERCENT OF LEVY COLLECTED	DELINQUENT TAX COLLECTIONS	TOTAL TAX COLLECTIONS	COLLECTIONS AS PERCENT OF CURRENT LEVY
1995-96	\$ 997,562	\$ 997,562	100.00%	\$ 2,269	\$ 999,831	100.23%
1996-97	1,147,991	1,137,153	99.06%	0	1,137,153	99.06%
1997-98	1,113,402	1,123,646	100.92%	0	1,123,646	100.92%
1998-99	1,110,343	1,120,959	100.96%	0	1,120,959	100.96%
1999-00	1,226,920	1,245,319	101.50%	0	1,245,319	101.50%
2000-01	1,255,218	1,289,639	102.74%	0	1,289,639	102.74%
2001-02	1,353,294	1,428,917	105.59%	0	1,428,917	105.59%
2002-03	1,411,665	1,467,196	103.93%	0	1,467,196	103.93%
2003-04	1,573,583	1,531,410	97.32%	0	1,531,410	97.32%
2004-05	\$ 1,568,618	\$ 1,609,486	102.61%	\$ -	\$ 1,609,486	102.61%

CITY OF ORANGE CITY, IOWA

TABLE IV

Assessed and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

COLLECTION YEAR	REAL PROPERTY		UTILITIES		TOTAL		% TO VALUE
	ASSESSED VALUE	ESTIMATED ACTUAL VALUE	ASSESSED VALUE	ESTIMATED ACTUAL VALUE	ASSESSED VALUE	ESTIMATED ACTUAL VALUE	
1995-96	\$97,057,402	\$125,216,088	\$951,092	\$978,399	\$98,008,494	\$126,194,487	77.66%
1996-97	98,741,889	145,059,999	991,915	991,915	99,733,804	146,051,914	68.29%
1997-98	100,186,974	148,270,270	1,124,292	1,124,292	101,311,266	149,394,562	67.81%
1998-99	101,038,194	158,694,012	1,063,653	1,063,653	102,101,847	159,757,665	63.91%
1999-00	104,685,474	160,812,584	998,026	998,026	105,683,500	161,810,610	65.31%
2000-01	106,177,613	167,587,570	386,645	386,645	106,564,258	167,974,215	63.44%
2001-02	111,996,353	172,401,657	345,740	345,740	112,342,093	172,747,397	65.03%
2002-03	114,153,308	187,368,989	405,828	405,828	114,559,136	187,774,817	61.01%
2003-04	121,880,002	197,777,207	457,062	457,062	122,337,064	198,234,269	61.71%
2004-05	\$133,223,718	\$213,808,393	\$446,521	\$446,521	\$133,670,239	\$214,254,914	62.39%

TABLE V

Property Tax Rates And Tax Levies
Direct and Overlapping Governments
Last Ten Fiscal Years

YEAR	CITY	TAX RATES PER \$1,000			TOTAL
		SCHOOL DISTRICT	COUNTY CONSOL.	VOCATIONAL SCHOOL	
1995-96	\$11.9027	\$12.6574	\$3.2186	\$0.4939	\$28.2726
1996-97	11.48854	11.90448	3.05065	0.49625	26.93992
1997-98	10.98992	12.74785	2.89958	0.49080	27.12813
1998-99	10.86640	12.78543	3.08408	0.47864	27.21455
1999-00	11.62220	12.47836	3.53387	0.48192	28.11635
2000-01	11.60193	12.39183	3.53287	0.52226	28.04889
2001-02	11.77898	12.15324	3.51674	0.53380	27.98276
2002-03	12.04619	12.60600	3.93682	0.54774	29.13675
2003-04	12.32259	12.78323	4.64743	0.65433	30.40758
2004-05	\$13.2486	\$14.0924	\$4.5834	\$0.5845	\$32.5089

TAX LEVIES

1995-96	\$997,562	\$1,240,530	\$315,449	\$48,407	\$2,601,948
1996-97	1,147,991	1,187,279	304,253	49,493	2,689,016
1997-98	1,113,402	1,291,501	293,758	49,724	2,748,385
1998-99	1,110,343	1,306,432	315,135	48,908	2,780,818
1999-00	1,226,920	1,310,453	373,605	55,230	2,966,208
2000-01	1,255,218	1,295,101	374,759	56,884	2,981,962
2001-02	1,353,294	1,416,184	442,271	61,534	3,273,283
2002-03	1,411,665	1,464,436	532,406	74,960	3,483,467
2003-04	1,573,583	1,740,959	632,938	89,114	4,036,594
2004-05	\$1,568,618	\$1,883,738	\$612,663	\$78,126	\$4,143,146

CITY OF ORANGE CITY, IOWA

TABLE VI

Principal Taxpayers

TAXPAYER	TYPE OF BUSINESS	ESTIMATED ACTUAL VALUE	PERCENTAGE OF TOTAL ESTIMATED ACTUAL VALUE
VOGEL ENTERPRISES, LTD	MANUFACTURING	\$8,838,991	4.13%
AMERICAN IDENTITY, INC.	MANUFACTURING	7,859,280	3.67%
ADVANCED BRANDS, LLC	MANUFACTURING	3,541,440	1.65%
KRULL LTD	REAL ESTATE DEVELOPMENT	1,841,910	0.86%
IOWA STATE BANK	BANK	1,772,590	0.83%
NORTH WEST RURAL ELECTRIC COOPERATIVE UTILITY		1,763,160	0.82%
MIDWEST FARMERS COOP	GRAIN ELEVATOR	1,651,800	0.77%
PIONEER MEMORIAL HOME	REAL ESTATE DEVELOPMENT	1,273,798	0.59%
REVIVAL ANIMAL HEALTH	MANUFACTURING	1,161,240	0.54%
NORTHWESTERN STATE BANK	BANK	1,106,310	0.52%
	TOTAL	<u>\$30,810,519</u>	<u>14.38%</u>
	ALL OTHERS	183,444,395	85.62%
		<u>\$ 214,254,914</u>	<u>100.00%</u>

TABLE VII

Computation of Legal Debt Margin

June 30, 2005

2002-03 ESTIMATED ACTUAL VALUATION:

REAL ESTATE	\$213,808,393
UTILITIES	446,521
	<u>\$214,254,914</u>

DEBT LIMIT - 5% OF ESTIMATED ACTUAL VALUATION

\$10,712,746

AMOUNT OF DEBT APPLICABLE TO DEBT LIMIT

GENERAL BONDED DEBT	18,920,000
LESS:	
* REVENUE BONDS	<u>11,450,000</u>
	7,470,000

AMOUNT AVAILABLE FOR REPAYMENT OF GENERAL
OBLIGATION DEBT34,407TOTAL DEBT APPLICABLE TO DEBT LIMIT
LEGAL DEBT MARGIN7,435,593\$3,277,153

CITY OF ORANGE CITY, IOWA
TABLE VIII

Special Assessment Collections
Last Ten Fiscal Years

Fiscal Year	Current Assessments Due	Current Assessments Collected	Percentage of Collections to Amount Due	Total Outstanding Current and Delinquent Assessments
1995-96	\$14,039	\$14,007	100%	\$66,017
1996-97	12,410	13,378	108%	166,516
1997-98	14,763	26,650	181%	139,866
1998-99	11,940	38,253	320%	111,813
1999-00	12,078	24,410	202%	126,690
2000-01	10,849	31,793	293%	114,491
2001-02	9,998	20,409	204%	98,245
2002-03	12,116	22,518	186%	113,952
2003-04	12,896	25,219	196%	112,264
2004-05	\$25,474	\$34,793	137%	\$205,438

TABLE IX

Ratio Of Net General Bonded Debt To
Assessed Value And Net Bonded Debt Per Capita
Last Ten Fiscal Years

LEVY YEARS	POP-ULATION	ASSESSED VALUE	GROSS BONDED DEBT	LESS DEBT SERVICE FUNDS	NET BONDED DEBT	NET BONDED DEBT PER CAPITA	NET BONDED DEBT TO ASSESSED VALUE
1995-96	4,940	\$98,008,494	\$2,605,000	\$14,814	\$2,590,186	\$524.33	2.64%
1996-97	4,940	99,733,804	2,845,000	58,520	2,786,480	564	2.79%
1997-98	4,940	101,311,266	2,610,000	66,147	2,543,853	515	2.51%
1998-99	4,940	102,181,290	2,925,000	39,582	2,885,418	584	2.82%
1999-00	4,940	105,751,334	2,915,000	43,236	2,871,764	581	2.72%
2000-01	5,582	106,564,258	2,905,000	52,136	2,852,864	511	2.68%
2001-02	5,582	112,342,093	3,105,000	69,792	3,035,208	544	2.70%
2002-03	5,582	114,559,136	3,910,000	86,413	3,823,587	685	3.34%
2003-04	5,582	122,337,064	4,155,000	51,637	4,103,363	735	3.35%
2004-05	5,582	\$133,670,239	\$7,470,000	\$34,407	\$7,435,593	\$1,332.07	5.56%

TABLE X

Ratio of Annual Debt Service Expenditures for
General Bonded Debt to Total General Expenditures
Last Ten Fiscal Years

Fiscal Year	Principal	Fees and Interest	Total Debt Service	Total* General Expenditures	Ratio of Debt Service to Total General Expenditures
1995-96	\$190,000	\$137,332	\$327,332	\$2,147,217	15.24%
1996-97	195,000	126,196	321,196	2,298,048	13.98%
1997-98	235,000	143,326	378,326	2,401,861	15.75%
1998-99	250,000	139,542	389,542	2,295,658	16.97%
1999-00	310,000	147,376	457,376	2,526,718	18.10%
2000-01	310,000	148,578	458,578	2,790,330	16.43%
2001-02	350,000	152,215	502,215	2,662,763	17.54%
2002-03	1,335,000	158,249	1,493,249	3,957,516	37.73%
2003-04	460,000	193,759	653,759	3,428,631	19.07%
2004-05	\$780,000	\$266,210	\$1,046,210	\$3,406,160	30.72%

* General, Special Revenue, Debt Service Funds

CITY OF ORANGE CITY, IOWA
TABLE XI
Computation of Direct and Overlapping Debt
June 30, 2005

Name of Governmental Unit	Net Debt Outstanding	Percentage Applicable to this Governmental Unit	City of Orange City Share of Debt
CITY OF ORANGE CITY, IOWA	\$7,435,593	100.00%	\$7,435,593
MAURICE-ORANGE CITY COMMUNITY SCHOOL DISTRICT	2,600,000	64.64%	1,680,640
	<u>\$10,035,593</u>		<u>\$9,116,233</u>

TABLE XII
Sewer Revenue Bond Coverage
Last Ten Fiscal Years

Fiscal Year	Gross Revenue*	Operating Expenses**	Net Rev. Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
1995-96	\$478,046	\$106,865	\$371,181	\$95,000	\$105,593	\$200,593	1.85
1996-97	484,749	104,605	380,144	120,000	77,892	197,892	1.92
1997-98	469,749	141,239	328,510	120,000	72,107	192,107	1.71
1998-99	466,349	186,786	279,563	120,000	66,069	186,069	1.50
1999-00	514,048	267,632	246,416	125,000	58,390	183,390	1.34
2000-01	534,232	193,088	341,144	130,000	51,890	181,890	1.88
2001-02	639,941	201,980	437,961	135,000	87,819	222,819	1.97
2002-03	644,207	238,419	405,788	155,000	81,103	236,103	1.72
2003-04	768,692	224,702	543,990	160,000	64,438	224,438	2.42
2004-05	\$564,290	\$247,456	\$316,834	\$170,000	\$60,038	\$230,038	1.38

* Operating revenues including interest

** Operating Expenses Exclusive of Depreciation and Amortization

CITY OF ORANGE CITY, IOWA
TABLE XIII
Electric Revenue Bond Coverage
Last Ten Fiscal Years

Fiscal Year	Gross Revenue*	Operating Expenses**	Net Rev. Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
1995-96	\$3,382,617	\$2,518,810	\$863,807	\$195,000	\$132,590	\$327,590	2.64
1996-97	3,338,646	2,390,793	947,853	205,000	162,534	367,534	2.58
1997-98	3,332,699	2,459,694	873,005	220,000	99,067	319,067	2.74
1998-99	3,338,937	2,443,695	895,242	255,000	55,263	310,263	2.89
1999-00	3,635,445	2,850,215	785,230	260,000	42,388	302,388	2.60
2000-01	3,876,350	3,032,551	843,799	275,000	31,149	306,149	2.76
2001-02	4,015,734	3,217,049	798,685	285,000	21,933	306,933	2.60
2002-03	4,331,927	3,387,989	943,938	300,000	6,360	306,360	3.08
2003-04	4,610,432	3,548,978	1,061,454	-	54,302	54,302	19.55
2004-05	\$4,664,357	\$3,673,367	\$990,990	\$115,000	\$71,539	\$186,539	5.31

* Operating Revenues Including Interest

** Operating Expenses Exclusive of Depreciation and Amortization

TABLE XIV
Water Revenue Bond Coverage
Last Ten Fiscal Years

Fiscal Year	Gross Revenue*	Operating Expenses**	Net Rev. Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
1995-96	\$567,703	\$230,702	\$337,001	\$80,000	\$70,691	\$150,691	2.24
1996-97	567,736	185,774	381,962	85,000	66,665	151,665	2.52
1997-98	593,859	245,608	348,251	85,000	62,616	147,616	2.36
1998-99	588,751	388,558	200,193	90,000	58,351	148,351	1.35
1999-00	704,782	317,028	387,754	95,000	53,755	148,755	2.61
2000-01	644,716	391,896	252,820	100,000	49,271	149,271	1.69
2001-02	669,022	379,238	289,784	105,000	44,129	149,129	1.94
2002-03	698,186	367,933	330,253	105,000	39,129	144,129	2.29
2003-04	739,503	344,796	394,707	115,000	18,655	133,655	2.95
2004-05	\$791,769	\$365,148	\$426,621	\$140,000	\$106,136	\$246,136	1.73

* Operating Revenues Including Interest

** Operating Expenses Exclusive of Depreciation and Amortization

TABLE XV
Demographic Statistics
Last Ten Fiscal Years

FISCAL YEAR	(1) POPULATION	PER CAPITA INCOME	SCHOOL (2) ENROLLMENT	UNEMPLOYMENT RATE (%) (3)
1995-96	4,940	10,592	N/A	1.4%
1996-97	4940	10,592	N/A	1.4%
1997-98	4940	10,592	N/A	1.4%
1998-99	4940	10,592	N/A	1.4%
1999-00	4940	10,592	N/A	1.4%
2000-01	5582	25,335	1,392	2.6%
2001-02	5582	25,335	N/A	2.6%
2002-03	5582	25,335	N/A	2.6%
2003-04	5582	25,335	N/A	2.6%
2004-05	5582	25,335	1,248	2.6%

(1) BUREAU OF CENSUS

(4) STATE OF IOWA LIBRARY CENSUS

(2) MOC FLOYD VALLEY COMMUNITY SCHOOL DI (N/A) NOT AVAILABLE
 IOWA WORKFORCE DEVELOPMENT

CITY OF ORANGE CITY, IOWA
TABLE XVI
Property Value Construction And Bank Deposits
Last Ten Fiscal Years

YEAR	(1) COMMERCIAL CONSTRUCTION		(1) RESIDENTIAL CONSTRUCTION		(2) BANK DEPOSITS
	UNITS	VALUE	UNITS	VALUE	
1995-96	8	\$575,500	39	\$3,178,890	\$86,129,000
1996-97	8	5,601,880	33	1,730,000	92,698,000
1997-98	3	680,000	35	2,354,600	124,110,000
1998-99	11	1,617,500	30	2,528,000	130,537,000
1999-2000	17	3,959,222	29	3,527,161	135,471,000
2000-01	14	10,078,450	33	2,490,106	171,532,000
2001-02	13	6,273,716	32	1,756,475	245,117,000
2002-03	15	5,020,066	45	4,037,181	250,321,000
2003-04	7	619,200	44	2,948,460	267,291,000
2004-05	11	\$12,684,911	42	\$3,067,702	\$303,695,000

(1) INCLUDES NEW CONSTRUCTION AND REMODELING (SOURCE: LOCAL BUILDING PERMITS ISSUED)
(2) COMBINED DEPOSITS IN THREE BANKS (SOURCE: BANK MANAGEMENT)

TABLE XVII
COMPARISON OF TAXES AND INTERGOVERNMENTAL REVENUES
YEARS ENDED JUNE 30, 2005, 2004, 2003, 2002, 2001

	2005	2004	2003	2002	2001
PROPERTY TAX	\$ 1,609,486	\$ 1,458,609	\$ 1,568,136	\$ 1,494,782	\$ 1,346,538
INTERGOVERNMENTAL:					
ROAD USE TAX	464,512	468,309	450,967	451,776	410,004
STATE POPULATION ALLOCATION			66,073	69,638	68,470
BANK FRANCHISE TAX	19,377	30,664	41,424	19,521	18,280
LOCAL OPTION SALES TAX	437,608	420,938	406,868	384,073	370,099
OTHER	212,557	162,602	258,529	120,979	69,997
	<u>\$ 2,743,540</u>	<u>\$ 2,541,122</u>	<u>\$ 2,791,997</u>	<u>\$ 2,540,769</u>	<u>\$ 2,283,388</u>

CITY OF ORANGE CITY, IOWA
TABLE XVIII
Miscellaneous Statistics
June 30, 2004

Date of Incorporation	1884
Form of Government	Mayor-Council with appointed City Administrator
Area in Square Miles	2.6
Miles of Streets	46
Number of Street Lights	459
Fire Protection:	
Number of Stations	1
Number of Volunteer Fireman	30
Police Protection:	
Number of Stations	1
Number of Policeman and Officers	7
Education:	
Number of Schools	2 Public (Elementary, High School) 2 Private (Elementary, High School) 1 Private College (approx. 1,495)
Municipal Water Department:	
Number of Consumers	1,722
Average Daily System Consumption	646,960 gallons
Miles of Water Mains	43
Miles of Sewers:	
Sanitary Sewers	39
Storm Sewers	17
Building Permits Issued 2003-04	45
Recreation and Culture:	
Number of Parks	4
Number of Libraries	1
Number of Volumes	34,200



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Members of the City Council
City of Orange City, Iowa

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the CITY OF ORANGE CITY, IOWA as of and for the year ended June 30, 2005, which collectively comprise the City of Orange City, Iowa's basic financial statements, and have issued our report thereon dated September 9, 2005. We did not audit the financial statements of the Orange City Municipal Hospital, a discretely presented component unit, which statements reflect total assets of \$39,847,463 and total operating revenues of \$26,434,382 for the year then ended. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion on these financial statements, insofar as it relates to the amounts included for the Orange City Municipal Hospital, was based solely on the report of the other auditors. We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance:

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have all been resolved.

Internal Control Over Financial Reporting:

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in

the internal control that might be reportable conditions, and accordingly, would not necessarily disclose all matters in the internal control that are also considered to be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the City Council, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City during the course of our audit.

If you have any questions concerning the above matters, we would be pleased to discuss them with you at your convenience.

William & Company P.C.
Certified Public Accountants

September 9, 2005
Le Mars, Iowa

CITY OF ORANGE CITY, IOWA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2005

Part I: Summary of the Independent Auditors' Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) No reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements

Reportable Conditions and Instances of Non-Compliance:

None in current year.

There were no prior year findings or instances of non-compliance.

Part III: Other Findings Related to Required Statutory Reporting

III-A-05 - Official Depositories - A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.

III-B-05 - Certified Budget - City expenditures during the year ended June 30, 2005, exceeded amounts budgeted in the debt service and capital projects functions.

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The budget will be amended in the future, if applicable.

Conclusion - Response accepted.

III-C-05 - Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

III-D-05 - Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. However, we recommend that the amount of coverage be reviewed annually to insure that the coverage is adequate for current operations.

III-E-05 - Council Minutes - We noted no transactions requiring approval which had not been approved by the Council.

III-F-05 - Questionable Expenditures - We noted no questionable expenditures during our audit.

CITY OF ORANGE CITY, IOWA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2005

Part III: Other Findings Related to Required Statutory Reporting – (Continued)

- III-G-05 Revenue Bonds - No violations of revenue bond resolutions were noted.
- III-H-05 Business Transactions – There were no business transactions between the City and City officials or employees during the year ended June 30, 2005:
- III-I-05 Cash and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.